ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2015

GLOBAL A&T ELECTRONICS LTD.

April 19, 2016

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CERTAIN DEFINITIONS AND CONVENTIONS

In this annual 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 “USC” refer to UTAC (Shanghai) Co., Ltd., all references to “UTL” refer to UTAC Thai Limited, all references to “UDG” refer to UTAC Dongguan Ltd, all references to “UTH” refer to UTAC Thai Holdings Limited, all references to “UTAC Cayman” refer to UTAC Cayman Ltd and all references to “UHQ” refer to UTAC Headquarters Pte Ltd.

References to:

- “indenture” are to the indenture dated February 7, 2013, as amended and supplemented from time to time, entered into among Global A&T Electronics, the subsidiary guarantors and Citicorp International Limited, as trustee and security agent;

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

- “subsidiary guarantors” are to certain subsidiaries of Global A&T Electronics, being for the time being: USG, UHK, UTC, UTAC Cayman, UTH, UTL and UHQ.

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

In our annual report for the years ended December 31, 2014 and 2015, we have revised the way certain financial information and operating data, including the geographical distribution of our sales and utilization, is presented, to align with the way our management analyzes and evaluates our business. As such, certain financial information and operating data for 2013 presented in this annual report may differ from our previous annual reports for such years.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This annual 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 annual 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 annual report. Important factors that could cause those differences include, but are not limited to:

- the cyclicality 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 DECEMBER 31, 2015

In January 2016, pursuant to a share purchase agreement between Global A&T Electronics and UTH, 219,341,749 ordinary shares in USG (amounting to approximately 14.14 percent of the shares of USG) were transferred by Global A&T Electronics to UTH.

On April 1, 2016, we announced significant cost reduction and restructuring actions to reduce our total workforce, consolidate certain organizational functions and shutdown certain corporate and site functions.

Other than as disclosed above and elsewhere in this annual report, there have been no material developments in our business since December 31, 2015.

RISK FACTORS

Risks Relating to Our Business

We are dependent on the highly cyclical semiconductor and electronics industries, and volatility in the industry and industry downturns could have a material adverse effect on our business and results of operations.

The semiconductor and electronics industries are highly cyclical and are characterized by significant fluctuations in end-market demand, which is driven by and connected with the product cycles of the end-products in which integrated circuits are used and the timing of releases of new products. Any significant downturn in the condition of the semiconductor industry and global economic conditions which adversely affect the demand for our services or any decline in demand for use of semiconductor devices, such as consumer electronics, telecommunication devices or computing devices, would have a material adverse effect on our business and operating results. In addition, any variation in order levels from our customers and service fee rates caused by fluctuations in demand will also result in volatility in our sales and net profit, which could have a material adverse effect on our results of operations. Please see "— We depend on a small number of customers in a limited segment of the market for a substantial portion of our sales" for a discussion on how the loss of key customers could have a material adverse effect on us.

From time to time, the semiconductor and electronics industries have experienced significant, and sometimes prolonged, downturns. These downturns often occur during periods of decline in general economic conditions. Global financial markets experienced significant disruptions in 2008, which resulted in recessions in a number of economies. The recovery from the lows of 2008 and 2009 has been uneven and is facing new challenges, including a European sovereign debt crisis that began in 2011 and continuing high unemployment rates in many parts of the world. It is unclear what the long-term impact of the European sovereign debt crisis will be and uncertainty remains over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies. There have also been concerns over unrest in the Middle East and Africa and geopolitical tensions in Russia and Ukraine, which have resulted in significant market volatility and recent concern over falling oil prices. During any significant downturn, demand for our products and services may be adversely affected, we may face pressure to reduce our prices, and we may need to further rationalize capacity and attempt to reduce our fixed costs. If we are unable to reduce our costs sufficiently to offset reductions in prices and sales volumes, our margins and earnings will suffer and we could incur significant losses, as we have in the past, which would result in a material adverse effect on our business, financial condition and results of operations.

Our business, results of operations and financial condition have fluctuated from quarter to quarter and may fluctuate significantly as a result of factors outside of our control.

Many factors, some of which are outside of our control, including variations in demand and orders from our customers and the impact of adverse economic conditions, could lead to significant variability of our quarterly or annual operating results or have a material adverse effect on our sales, gross profit, operating results and cash flows. Our profitability and ability to generate cash from operations is principally dependent upon customer demand, which is driven in part by our ability to compete successfully with other assembly and test service providers and continue to attract more business from our customers and our customers' preferences. Our competitiveness and profitability is also dependent on our ability to develop, or obtain access to, advances in assembly or test technologies or processes. In addition, the utilization of our equipment, product mix, our ability to manage our capital expenditures in response to market conditions and our ability to control our costs including labor, material, overhead and financing costs, also significantly affect our financial condition and results of operations.

In addition to these factors, our sales, gross profit, net profit, cash flows, EBITDA and adjusted EBITDA have also historically fluctuated significantly from quarter to quarter as a result of several other factors, over which we have little or no control and which we expect to continue to impact our business. These include fluctuation in demand in the semiconductor industry and key end-markets, the competitiveness of our key customers in their respective end-markets, such as, inventory reductions by our customers, changes in average selling prices which can occur quickly due to the general absence of long term agreements on price, evolving assembly and test technology and potential difficulties in developing and transitioning to new technologies, restructuring charges, asset write-offs and impairments.

Due to this cyclicality, we believe that period-to-period comparisons of our results of operations may not be meaningful, and you should not rely on those comparisons to predict our future performance. The volatility and fluctuations in operating performance we have experienced as a result of the factors listed above also make it more challenging for us to forecast our operating results, make business decisions and identify risks that may affect our business, sources and uses of cash, financial condition and results of operations. To the extent our results of operations are below the expectations of public market analysts and investors in the future, or if there are significant fluctuations in our financial results, the market price of our securities could decline materially.

We depend on a small number of customers in a limited segment of the market for a substantial portion of our sales.

We are dependent on a small group of customers for a substantial portion of our sales. For the years ended December 31, 2013, 2014 and 2015, our 10 largest customers by sales, in aggregate, accounted for 62.5%, 65.6% and 62.7%, respectively, of our sales. In 2015, our two largest customers were Broadcom and Texas Instruments, each of whom accounted for more than 10% of our sales. In that same year, our three largest customers accounted for 31.6% of our sales, and our five largest customers accounted for 43.2% of our sales. Our results of operations are primarily affected by demand for our services by our customers, who are in turn affected by changes in their market share in the markets in which they compete and changing consumer demand. We anticipate that a small number of customers will continue to account for a significant portion of our sales in the foreseeable future. The loss of one or more of our key customers, or reduced orders from any of our key customers, could have a material adverse effect on our business, financial condition and results of operations. For example, our memory product category sales declined from $115.2 million in 2013 to $95.3 million in 2014 and to $83.0 million in 2015 as a key memory customer changed its strategy and insourced more of its assembly and test requirements. In addition, any new customers that we are able to attract to use our services (to mitigate any loss of a key customer) usually require us to pass a lengthy and rigorous qualification process that can take more than nine months to complete with the consequence that we typically only realize any meaningful sales contributions from such customers approximately one to two years or longer from the time we commence the qualification process.

The majority of our sales are derived from customers whom we classify as operating in the communications, consumer, computing, automotive and industrial, medical and other end-markets. In 2015, assembly and test services accounted for 64.9% and 35.1% of our sales, respectively. A substantial portion of our sales of assembly services were derived from the analog product category, and the majority of our sales of test services were derived from the mixed-signal and logic product categories. Factors affecting these end-markets or product categories in general or any significant decrease in demand in such end-markets or product categories could have a material adverse effect on our business, financial condition and results of operations.

It may be difficult for us to attract new customers and as a result, our business, financial condition and results of operations may be adversely affected.

Our ability to attract new customers is important to our ongoing success. In line with industry practice, new customers usually require us to pass a lengthy and rigorous qualification process which in most cases is conducted at a significant cost to us and the customer. Additionally, customers may also require us to invest in new specialized or customized equipment for our products and services. As a result, customers are generally reluctant to qualify new assembly and test service providers and it may be difficult for us to attract new major customers or enter new markets. We are also required by our existing customers to undergo stringent evaluation processes when introducing new types of services. If we fail to satisfy any customer's ongoing evaluation process, that customer may cease to use our services, causing our customer base to become more concentrated. Furthermore, we believe that once customers have selected the services of a particular assembly and test company, they generally rely on that vendor for specific applications and, to the extent possible, subsequent generations of those applications. Accordingly, it may be difficult to achieve significant sales from a potential customer once that customer has selected another vendor's assembly and test services. In addition, due to the lengthy and rigorous qualification process that we undertake in connection with acquiring new customers, we typically only realize any meaningful sales contributions from such customers approximately one to two years or longer from the time we commence the qualification process. Any failure to attract new customers and the length of time required to realize sales from new customers could adversely affect our business, financial condition and results of operations.

Our customers generally do not place purchase orders significantly in advance and do not have long-term contractual commitments to purchase our services, which makes us vulnerable to sudden changes in customer demand and may result in us incurring unnecessary costs.

As is customary in our industry, our customers generally do not place purchase orders in advance of when they require our services and are generally not obligated, pursuant to any long-term contractual commitment or otherwise, to purchase any minimum amount of our products or use any minimum level of our assembly or test services or to provide us with binding forecasts for any period, although we may from time to time be required to commit capacity we agree with our customers. If we fail to honor our agreement to commit capacity based on our customers' requirements, our reputation may suffer and our customers may cancel their orders.

In addition, our customers often reduce, cancel or delay their purchases of assembly and test services for a variety of reasons including industry-wide and customer-specific reasons. This makes it difficult for us to forecast our sales for any future period as our customers might not continue to place orders with us in future periods at the same levels as in prior periods. However, our expenses are based in part on our expectations of future sales and we may be unable to adjust costs in a timely manner to compensate for any sales shortfalls. In some cases, our customers are not responsible for any unused common or standard materials or components purchased by us that result from actual orders being smaller than previously forecast by the customer. If we face a reduction or cancellation of orders, or if we are not able to utilize the unused materials or components resulting from such reduced or cancelled orders, our business, financial condition and results of operations may be adversely affected.

We have experienced substantial losses in the past and may do so in the future.

We recorded a loss before income tax of $76.5 million in 2013, $42.9 million in 2014 and $99.4 million in 2015. Our accumulated losses were $510.7 million as of December 31, 2015. The losses we incurred in 2013, 2014 and 2015 were primarily on account of the finance expenses we incurred on our borrowings, and partly due to the decline in sales for each of those years. In 2013, our decline in sales was primarily due to weakness in demand in our memory business as a key memory customer changed its strategy and insourced more of its assembly and test requirements, loss of our share of wallet with respect to some customers in our analog assembly business, customers ceasing to use our assembly and test services for certain products that we no longer service in Singapore and closure of our facility at Chengdu. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of our results of operations for 2014 and 2015. We cannot assure you that we will not incur further losses in the future.

We may not successfully continue to manage our geographically diverse manufacturing facilities.

Other than organic growth, we also have expanded our assembly and test operations through acquisitions. For example, in 2005 we acquired UltraTera Corporation (now known as UTC), a company focused on memory devices, in 2006 and we acquired NS Electronics Bangkok (now known as UTL), a company strong in the analog business. As a result of our expansion, we have implemented and plan to continue to implement additional operational and financial controls and hire and train additional personnel. We may face difficulties in hiring personnel with sufficient experience or expertise in our manufacturing locations where there is a shortage of skilled workers, for example, in Thailand and China.

Further, as a result of our expansion and geographically diverse manufacturing operations in Singapore, Thailand, Taiwan and China, we seek to implement a strategy of centralizing business management, our legacy information technology systems at various facilities and other key functions in order to integrate our existing businesses and to institute a single high quality service standard across our group as our manufacturing facilities have historically tended to operate more autonomously with less coordination among the various facilities. The difficulties of implementing our current strategy is increased by the necessity to coordinate geographically dispersed organizations, integrate personnel with disparate business backgrounds and combining different corporate cultures. From time to time, we also evaluate the performance of our facilities and we may decide to close facilities that are under-utilized or unprofitable. For example, we closed our facility in Chengdu in 2012 due to under-utilization of the facility. Our inability to successfully implement any of our strategies or the closure of under-utilized or unprofitable facilities, could have a negative impact our business, financial condition, results of operations or cash flows.

We may not be able to expand our business into new jurisdictions or new regions, and may be exposed to potential risks arising from any material acquisitions, investments and joint ventures that we undertake in the future.

A key element of our growth strategy is the acquisition of, and investment in, complementary businesses or assets from time to time. The success of our inorganic expansion strategy depends on a number of factors, including our ability to identify suitable opportunities for acquisitions, whether we are able to complete an acquisition on terms that are satisfactory to us, the economic, business or other strategic objectives and goals of the company or business compared to those of our group, our ability to maintain business relationships with customers, suppliers, employees and other favorable business relationships of the acquired operations and restructuring or terminating unfavorable relationships, our ability to finance the acquisition consistent with our credit arrangements and in a manner that would optimize our capital structure, and our ability to integrate successfully the acquired company or business with our group. For example, our current strategy of centralizing business management and other key functions may make it difficult to successfully integrate our existing businesses or any new businesses or assets we acquire in the future. We may also have difficulty managing our expansion into new geographic markets where we have limited knowledge and understanding of the local economy, an absence of business relationships, or unfamiliarity with local governmental and permitting procedures and regulations. We may not succeed in expanding our business into new jurisdictions on a timely basis or in achieving profitability in these new locations.

We must overcome significant regulatory and legal barriers before we can begin operations in any new jurisdiction. In addition to significant regulatory barriers, we may also encounter problems conducting operations in new jurisdictions with different cultures and legal systems where historical practices may not align with our business practices and corporate policies. Any of these factors could adversely affect our ability to successfully expand our business, and our failure to effectively manage any expansion may adversely affect our business, financial condition, results of operations and prospects.

These investments may also involve risks associated with the possibility that the other shareholders or joint venture partners may have economic or business interests or goals that are inconsistent with ours, take actions contrary to our policies or objectives, be unable or unwilling to fulfill their obligations under the relevant joint venture or shareholders' agreements or have financial difficulties. In addition, the laws in these jurisdictions relating to foreign investment could be altered in a manner that may result in an adverse effect on our business and results of operations.

If we undertake any material acquisitions, investments and joint ventures in the future, our management's attention and resources from our existing business and expose us to potential risks. For example, any failure to manage our growth effectively, including any inability or unforeseen difficulties in implementing financial and management controls and reporting systems and procedures, could lead to inefficiencies and redundancies which will negatively impact our business, operations and profitability. Similarly, any difficulties encountered in the acquisition and integration process may have an adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive industry, and we may not be able to compete successfully.

The outsourced semiconductor assembly and test industry is very competitive and requires us to be capable of assembling and testing increasingly complex semiconductor packages as well as to be able to bring technologically advanced semiconductor packages to market as quickly as our competitors. We compete with large multinational companies, some of which are much larger in size than us, small niche market competitors and new entrants to the industry. Many of our competitors have significant manufacturing capacity, financial resources, research and development capabilities, marketing and other capabilities and have longer operating histories than ours. These companies have also established relationships with many of our current or potential customers. In addition, increases in the manufacturing capacities of new entrants or our current competitors, or the consolidation of our existing competitors resulting in an increase in their resources and capabilities, may force us to lower our prices.

We may face difficulties competing against such competitors for market share, volume production, price competitiveness and the standard and scope of services offered, such as our technical and engineering competence, quality of service, production yields, cycle time, time-to-market and ability to simplify our customers' supply chain logistics. In the event that we are not able to compete successfully against our existing or potential competitors, our business, financial condition and results of operations could be adversely affected.

Decisions by our customers who are integrated device manufacturers to curtail outsourcing may adversely affect our business.

We are dependent on sales of assembly and test services outsourced to us by our customers, and our strategy for expanding our business includes offering turnkey solutions to our customers. A significant portion of our sales is from customers who are integrated device manufacturers, which have their own in-house assembly and test capacity. These customers continually evaluate our assembly and test services against their own in-house capabilities. As a result, at any time, these integrated device manufacturers may decide to shift some or all of their outsourced assembly and test services to internal capacity. In the event of a downturn in the semiconductor industry, these integrated device manufacturers may respond by shifting some outsourced assembly and test services to internally serviced capacity. For example, our memory product category sales declined from $115.2 million in 2013 to $95.3 million in 2014 and to $83.0 million in 2015 as a key memory customer changed its strategy and insourced more of its assembly and test requirements.

Moreover, these integrated device manufacturers may prefer to rely on internal sources for assembly and test services due to their desire to realize higher utilization of their existing assembly and test equipment, their unwillingness to disclose proprietary technology, their possession of more advanced test or assembly technologies and the guaranteed availability of their own assembly and test capacity. Any shifts or slowdowns in outsourcing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our indebtedness could adversely affect our financial condition and restrict our ability to pursue our business strategies.

As of December 31, 2015, we had significant indebtedness and our total borrowings were $1,105.1 million (after deducting unamortized loan facility and related issuance costs). We had negative net tangible assets of $496.5 million as of December 31, 2015. Our finance expenses were $120.7 million, $120.7 million and $121.9 million in 2013, 2014 and 2015, representing 123.4%, 98.9% and 111.5%, respectively, of our gross profit in each of those periods.

Our degree of leverage may have important consequences to you, including the following:

- we may have difficulty satisfying our obligations under our existing indebtedness, which could in turn result in an event of default. The lenders under such facilities could then vote to accelerate the payment of the indebtedness and foreclose upon our assets securing such indebtedness. Other creditors might then accelerate the payment of other indebtedness;

- we may be required to dedicate a substantial portion of our cash flow from operations to required payments of indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate activities;

- covenants relating to our indebtedness may limit our ability to obtain additional financing for working capital, capital expenditures and other general corporate activities;

- covenants relating to our indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and the semiconductor industry;

- we may be unable to obtain funding for acquisitions of new businesses and projects;

- we may be more vulnerable than our competitors to the impact of economic downturns and adverse developments in our business;

- we may be placed at a competitive disadvantage against any less leveraged competitors; and

- our indebtedness also exposes us to fluctuations in interest rates as certain of our borrowings are at variable rates of interest.

The occurrence of any of these events could have a material adverse effect on our business, financial position and results of operations.

We may not be able to generate sufficient cash flows to meet our debt service obligations and our ability to generate cash depends on many factors beyond our control and we may need to access the credit market to meet our liquidity requirements.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic, industry and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service and other financial obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness.

Our ability to obtain external indebtedness could be impacted by our debt ratings. Any increase in our level of debt, change in status of debt from unsecured to secured debt, or deterioration in our operating results and our industry may cause a reduction in our current debt rating. Any downgrade in our current debt rating could impair our ability to obtain additional financing on acceptable terms. Furthermore, the credit markets have recently experienced adverse conditions. Continuing volatility in the credit markets may increase costs associated with issuing debt instruments due to increased spreads over relevant interest rate benchmarks or affect our ability to access those markets. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. We cannot assure you that any such actions, if necessary, could be effected on commercially reasonable terms or at all.

Our credit facilities and debt instruments, including the indenture and senior revolving credit facility contain covenants limiting our financial and operating flexibility.

The indenture and the senior revolving credit facility that we obtained in February 2013, contain covenants that restrict our ability to, engage in activities that may be in our long-term interests. For example, there are covenants, subject to certain thresholds or exceptions, on us against:

- creating liens on assets;
- making investments, loans or advances;
- incurring additional indebtedness;
- effecting mergers or consolidation;
- selling assets or entering into sale and leaseback transactions;
- paying dividends and distributions, repurchasing share capital or making other restricted payments; and
- entering into transactions with affiliates.

The covenants under the indenture and senior revolving credit facility could limit our ability to pursue our growth plans, restrict our flexibility in planning for, or reacting to, changes in our business and industry and increase our vulnerability to general adverse economic and industry conditions. In addition, the indenture and senior revolving credit facility contains restrictions on Global A&T Electronics and its subsidiaries from entering into transactions with its affiliates. We may enter into additional financing arrangements in the future, which could further restrict our flexibility. Any defaults of covenants contained in the indenture and senior revolving credit facility may lead to an event of default and to cross-defaults. Other creditors might then accelerate the payment of other indebtedness. If any of our creditors accelerate the payment of their indebtedness, we may not have sufficient assets to satisfy our obligations under the indenture, senior revolving credit facility or our other indebtedness.

Pending litigation by certain holders of our senior secured notes may expose us to significant liabilities, result in negative publicity and have a material adverse effect on our reputation, business, financial condition, results of operations and prices of our securities.

In November 2013, Global A&T Electronics received letters purportedly from certain holders of Global A&T Electronics' senior secured notes, alleging, among other things, that the issuance of $502.3 million in aggregate principal amount of senior secured notes on September 30, 2013 resulted in defaults under the indenture. Following these letters, 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' existing senior secured notes, alleging certain claims in relation to the issuance of $502.3 million in aggregate principal amount of additional senior secured notes, which are treated as a single series with the existing senior secured notes, to lenders of term loans under Global A&T Electronics' previous second priority floating rate loan facility and second priority fixed rate loan facility. These second priority lenders had, on September 30, 2013, agreed to cancel and terminate all outstanding principal amounts due to them under the second priority loan agreements in exchange for such additional senior secured notes.

The plaintiffs allege that the September 30, 2013 exchange transaction caused an event of default under the indenture and seek monetary damages and other relief, including an injunction "unwinding" the September 30, 2013 transaction and/or "subordinating the liens" securing the senior secured notes issued on September 30, 2013 to the liens on those senior secured notes issued on February 7, 2013. On May 30, 2014, we filed a motion to dismiss the plaintiffs' complaint. On July 14, 2015, the court granted Global A&T Electronics' motion and dismissed all the claims made against Global A&T Electronics by the plaintiffs. On July 21, 2015, certain plaintiffs filed a notice of appeal of the court's decisions and, on September 8, 2015, those plaintiffs-appellants filed a brief and record in support of their appeal. We filed a brief in opposition on November 16, 2015, and the plaintiffs-appellants filed their reply on December 16, 2015. The appellate argument was initially noticed for the January 2016 appellate term in the Appellate Division of the Supreme Court of the State of New York, First Department and was heard during the April 2016 appellate term. The Appellate Division reserved decision. We have defended and will continue to defend this lawsuit. However, there are no assurances that we will be successful in our defense. If the litigation is decided adversely to us, there could be several material and adverse consequences including acceleration of our obligations and our senior secured notes and certain other indebtedness, monetary damages and rescission orders. See "Business — Legal Proceedings."

Regardless of the outcome, this litigation could have an adverse impact on us as significant legal costs have been and will likely to continue to be incurred and as a result of diversion of management's time and other resources. Also, any negative publicity arising from these claims is likely to damage our brand and reputation, harm our ability to attract and retain customers and result in a material adverse impact on our business, financial condition, results of operations and prospects and adversely affect our ability to raise debt financing in the future. Any adverse outcome from these proceeding including but not limited to monetary damages which may be awarded to the plaintiffs will result in a material and adverse impact to our business, financial condition, results of operations, prospects and the prices of our securities.

We must repay or refinance existing indebtedness prior to the maturity of the senior secured notes. Failure to do so could have a material adverse effect on us.

The maturity of any outstanding loans under the senior revolving credit facility (which as of December 31, 2015 remains undrawn) is before the maturity of the senior secured notes. We may decide to refinance such indebtedness under the senior revolving credit facility but may not be able to refinance such indebtedness, or refinancing may not be available on commercially reasonable terms. The financial terms or covenants of any new credit facility and/or other indebtedness may not be the same or as favorable as those under the senior revolving credit facility.

Our ability to complete a refinancing of the senior revolving credit facility prior to its maturity is subject to a number of conditions beyond our control. For example, if a disruption in the financial markets were to occur at the time that we intend to refinance this indebtedness, we might be restricted in our ability to access the financial markets. If we are unable to refinance such indebtedness, our alternatives would include negotiating an extension of the senior revolving credit facility with the lenders and seeking or raising new capital. If we were unsuccessful, and if we do not have sufficient funds to repay such indebtedness on the maturity date, an event of default would result under the senior revolving credit facility. Even if we have sufficient funds to pay such indebtedness in full, we may not have sufficient cash to continue making interest payments on the notes. Furthermore, our liquidity would be adversely affected, which could in turn materially adversely impact our business and financial condition. As a result, our ability to pay the principal of and interest on the notes would be adversely affected.

We are and may be subject to certain intellectual property-related litigation and may in the future be subject to intellectual property rights disputes.

The semiconductor assembly and test industry is characterized by frequent litigation regarding patent and other intellectual property rights. As the number and scope of patents and other intellectual property rights in our industry increase, companies in our industry face an increasing number of patent infringement claims as part of their ordinary course of business. Litigation may be necessary in order to enforce our patents or other intellectual property rights or to defend us against claimed infringement of the rights of others, which may result in protracted litigation, incurrence of further costs and diversion of our management's attention from our operations.

If any litigation or patent infringement claim is made against us, we could be required to stop using certain processes or other intellectual property, cease production of infringing packages, or using, importing or selling them, attempt to acquire licenses to use the infringed technology, pay substantial damages or develop non-infringing technologies.

Regardless of whether such claims are valid, we could be required to expend valuable resources to defend any claims alleging our infringement of patents or other intellectual property rights and consequently incur substantial costs. If we fail to obtain necessary licenses or if litigation relating to patent infringement or other intellectual property matters occurs, we may be adversely affected.

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 as to whether UTC's patent license agreement with Tessera obligates it to continue paying royalties to Tessera. Following completion of discovery, both parties submitted motions for summary judgment, which are pending. The court has scheduled trial to begin on August 30, 2016 and directed the parties to participate in a mandatory settlement conference with the magistrate judge by April 30, 2016. On April 4, 2014, Amkor Technology, Inc., or Amkor, filed a complaint against Global A&T Electronics and certain of its subsidiaries in the Superior Court of Arizona. The suit relates to patent licenses between Amkor and certain of Global A&T Electronics' subsidiaries and payment of royalties by one of our subsidiaries. On January 5, 2015, the court dismissed seven out of the nine claims made by Amkor in the complaint. On February 13, 2015, Amkor filed an amended complaint in which it reasserted the two claims that were not dismissed and one of the claims that had been dismissed. On September 11, 2015, the court issued an order providing for limited discovery on the issues raised by our motion for partial summary judgment. We will continue to vigorously defend our interests in this suit. See "Business — Legal Proceedings." Any adverse outcome from any proceedings with Tessera or Amkor could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to liabilities under various anti-corruption laws.

We operate in a number of countries that have a reputation for presenting business ethics and corruption risks. Our business in those countries, as well as our acquisitions and relationships and dealings with third parties, including consultants and other agents we may engage from time to time, expose us to potential risks and liability under anti-corruption laws.

We are committed to doing business in accordance with all applicable anti-corruption laws and have adopted a Code of Conduct and policies which are consistent and in compliance with applicable anti-corruption and anti-bribery laws and regulations. See "Management — Code of Business Conduct and Ethics" for further details.

We are subject to the continued risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of relevant anti-corruption laws. There is no assurance that our efforts have been or will be completely effective in ensuring our compliance with all applicable anti-corruption laws or other legal requirements, or that we have not violated and will not violate such laws. See "— If we fail to maintain an effective system of internal controls, we may not be able to complete our analysis of our internal control over financial reporting in a timely manner, accurately report financial results or prevent fraud or other liabilities" for a description of certain issues we have identified at one of our facilities.

Any violation of anti-corruption or other laws could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and could adversely affect our business, results of operations, financial condition or prospects. Moreover, actual or alleged violations or any investigation of potential violations by U.S. or foreign authorities could adversely damage our reputation and ability to do business. In addition, relevant governmental authorities may seek to hold our company liable for anti-bribery violations committed by companies in which we invest or that we acquire. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

Average selling prices of assembly and test services have historically declined and may continue to do so, which may affect our profitability.

The average selling prices of our assembly and test services have declined historically in line with industry trends. In addition, any additional investments to increase in capacity by other assembly and test service providers without a corresponding increase in demand for outsourced assembly and test services could result in a steeper decline in average selling prices. Our ability to maintain or increase our profitability will continue to be dependent, in large part, upon our ability to offset decreases in average selling prices by realizing cost savings, reduction in our cost structure and improving our labor productivity, increasing unit volumes assembled or tested, or shifting to higher margin assembly and test services. If we are unable to do so, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to anticipate, develop, acquire or access cutting-edge technology, which would affect our ability to render advanced services at competitive prices and limit our ability to compete effectively.

The semiconductor assembly and test market is characterized by rapid technological change and increasing complexity. We must be able to offer our customers assembly and test services in line with technological advancements in the semiconductor industry. Advances in technology typically lead to rapid and significant price declines and decreased margins for older products and may also affect demand for test services. Technological advances could also cause our test or assembly capabilities to be less competitive with new technologies and, sometimes, to become obsolete. We seek to identify strategic intellectual property for our operations and focus on acquiring or developing such intellectual property that can enhance our capability. In particular, our acquisition of ASAT Limited (now known as UHK) in 2010 and NS Electronics Bangkok (now known as UTL) in 2006 strengthened our position and intellectual property portfolio in QFN packages, and our acquisition of UltraTera Corporation (now known as UTC) equipped us with a portfolio of patents in the memory product category.

If we fail to anticipate technological trends, keep up with advanced assembly and test service technology, and acquire or access technology developed by others in a timely manner, we may not be able to produce advanced products at competitive prices, we could lose our existing customers or may fail to acquire potential customers demanding these advanced services. We could also miss opportunities to benefit from the higher average selling prices that tend to be derived from newer and emerging assembly and test services. In order to remain competitive, we must be able to upgrade or migrate our testing equipment to respond to changing technological requirements. In addition, if we invest in anticipation of technological changes that do not materialize, we may be unable to recover the costs of such investments.

There is also a risk that our competitors may adopt new technology before we do, in which case our customers may use the services of our competitors instead of our services, which could have a material adverse impact on our business, results of operations and prospects.

We may not be able to pass on increases in prices of the materials and components we use for our operations, and any increase in energy and labor costs, to our customers.

A number of materials used in our assembly services are commodities and their prices fluctuate from time to time. In particular, gold is one of the principal materials used in our assembly services and accounted for 10.3%, 8.1% and 7.1% of our total cost of sales for 2013, 2014 and 2015, respectively. The average cost of gold per troy ounce for our operations has fluctuated significantly from an approximate average of $1,624 per troy ounce in 2013, $1,242 per troy ounce in 2014 and $1,227 per troy ounce in 2015. From time to time, we enter into derivative contracts to partially manage our exposure to fluctuating gold prices through gold forward contracts if the opportunity arises. There is no assurance that these hedging arrangements will provide adequate protection and it is possible that we may incur losses under these arrangements in the future as a result of fluctuations in gold prices. There can also be no assurance that the price of gold will continue to decrease. In the event that the price of gold increases, we may attempt to negotiate pricing increments with our customers but there is no assurance that we will be able to successfully offset such increases in gold prices whether partially or at all.

Employee compensation expenditures (including direct and indirect labor) for our assembly and test business have also increased due to wage inflation and the expansion of our workforce. The expenses that we incur for our electricity and utilities for our facilities are also significant and may increase if our energy conservation efforts do not fully offset any increase in our electricity and utilities costs. In addition, certain of our manufacturing facilities located in countries which historically had lower utilities costs may experience an increase in its utilities costs if the relevant local government ceases to subsidize energy costs or increase its energy tariffs.

We may attempt to pass on increased prices of materials and components, and increased costs in labor and energy, to our customers, but there can be no assurance that such efforts will be successful. If we are unable to pass on such increased prices and costs or successfully reduce or mitigate such increases, our business, financial condition and results of operations could be adversely affected.

We depend on third-party suppliers for the materials and components required for our assembly services and any inability of our suppliers to supply such materials and components could adversely affect our operations.

We depend on third-party suppliers located in Asia for the materials and components such as gold, copper, substrates, lead-frames, molding compound and epoxy that we require for our assembly services. There are a limited number of suppliers that possess the technical capability to supply certain materials and components in our industry. In 2015, our top five material and components suppliers, in aggregate, accounted for approximately 19.4% of our total material and components purchases. We have entered into purchase agreements with all our preferred suppliers and we generally purchase our materials on a short-term basis through the issuance of purchase orders. Although we have in place alternative suppliers for a majority of our materials and components, we cannot assure you that our primary and alternative suppliers will not become insolvent, experience financial difficulties or be adversely affected by natural disasters. Moreover, we may not be able to obtain materials and components from alternative suppliers at acceptable prices or in sufficient quantities or acceptable quality or terms. For example, we encountered some problems with securing a steady supply of lead-frames and substrates for our Thai plants due to the floods in 2011. Any such difficulties could have a material adverse effect on our business, financial condition and results of operations.

Our industry is highly capital intensive and we may not generate sufficient cash to meet our capital expenditure requirements and our capital expenditure may also not fulfill expected returns.

Semiconductor assembly and test is capital intensive and requires investment in expensive equipment. Furthermore, to remain competitive, we improve our facilities and process technologies from time to time and conduct ongoing research and development. Although we are actively exploring new techniques for updating and extending the usable life of our equipment in order to increase our throughput without incurring significant additional capital expenditure, our level of capital expenditure may prove greater in the future than historical capital expenditure levels. In 2013, 2014 and 2015, our cash outflows in respect of capital expenditure, or cash capital expenditure, was $50.3 million, $120.2 million and $101.2 million, respectively. If we are unable to generate sufficient cash from our operations or raise sufficient capital to meet our capital expenditure requirements, we may become less competitive and our business, financial condition and results of operations could be materially and adversely affected.

The equipment and test programs that we use to carry out our testing services are customized to accommodate the requirements of specific types of semiconductors. Testers, in particular, are also relatively costly and tester depreciation represents a significant percentage of our costs. In 2013, 2014 and 2015, we acquired 16 testers, 81 testers and 40 testers, respectively. We believe that the success and profitability of our testing operations depends to a large extent on the volumes of the products that we test, and our ability to perceive trends with respect to the tester capabilities that will be required for our target end-markets and by our customers in the future. We also work closely with our customers to align our tester investments with their product roadmaps and we seek to invest in tester models whose capabilities can be upgraded as our customers' products become increasingly sophisticated. If we are unable to accurately perceive trends in tester capabilities or keep pace with improvements in our customers' products, we may not be able to recover our investments in equipment and test programs, which may negatively affect our business, financial condition and results of operations.

We have high fixed costs, and if we are unable to increase our sales, pricing levels or the volume of products for which we provide assembly and test services, our profitability could be adversely affected.

As a result of the capital intensive nature of our business, our operations are characterized by high fixed costs. We incurred depreciation expenses of $151.7 million, $132.6 million and $118.8 million for 2013, 2014 and 2015, which represented 20.3%, 18.1% and 17.5%, respectively, of our sales for each of those periods. We expect to continue to incur substantial depreciation and other expenses in connection with our acquisition of assembly and test equipment and facilities. Our profitability depends in part not only on absolute pricing levels for our services but also on the volume and variety of products for which we provide assembly and test services. In periods of low demand, equipment utilization rates tend to be lower, causing reduced gross profit margins. Our overall assembly equipment utilization rate in 2015 was generally lower compared to 2014, while our overall test equipment utilization rate in 2015 was generally higher compared to 2014. Our gross profit margin was 16.1% in 2015 compared to 16.6% in 2014. The decrease in our gross profit margin was primarily due to lower sales in 2015 as compared to 2014 which was partially offset by lower depreciation expenses in 2015 as we had fully depreciated certain assets.

Moreover, our customers do not commit to binding forecasts, which makes it difficult for us to schedule production at our facilities accurately and to utilize capacity optimally to achieve maximum efficiency. Insufficient equipment utilization could negatively impact our profitability. If we fail to successfully predict trends or if we purchase equipment based on a customer's product roadmap and the customer terminates its relationship or reduces its business with us, we may not be able to fully utilize our equipment, which could decrease our sales and margins.

We may be unable to obtain assembly or test equipment or other materials and components when we require them or at reasonable costs, and any disruptions to our assembly and test processes may result in delays and increased costs.

The semiconductor assembly and test business requires investment in expensive equipment, including testers and wire bonders, manufactured by a limited number of suppliers principally located in the United States, Europe and Japan. The market for capital equipment used in semiconductor testing is characterized, from time to time, by intense demand, limited supply and long delivery cycles. Our equipment, materials and other suppliers typically require approximately four months to deliver the equipment that we require for our operations. Our operations and expansion plans are highly dependent upon our ability to obtain a significant amount of the required equipment from a limited number of suppliers at a reasonable cost. If we are unable to obtain adequate equipment in a timely manner and at a reasonable cost, we may be unable to fulfill our customers' orders which could result in a loss of customers, curtailed operations and increased costs.

Our assembly and test processes are complex and involve a number of precise steps. Defective assembly and test can result from a number of factors, such as the level of contaminants in the manufacturing environment, human error, equipment malfunction, incorrect process condition setting, use of defective raw materials, and inadequate sample testing. If our equipment breaks down or needs to be repaired or replaced, it may cause significant disruption to our assembly and test operations, which could result in us being unable to fulfil our customer orders on time or at all. For example, in 2014, we experienced production delays in our Dongguan facility caused by a deionized water leak at the facility. Any problems in the future with equipment at our facilities may delay or impair our ability to fulfil our obligations, which could negatively affect our business, financial condition and results of operations.

We face potential liability for compensation claims, economic damage claims and the risk of negative publicity if our services fail to meet our customers' specifications.

We rely on monitoring and other quality and reliability assurance protocols to ensure that the packages that we assemble or products we test are defect-free and meet customer standards and specifications. From time to time, defective assembly and testing can result from various factors such as, contaminants in the manufacturing environment, human error, equipment malfunction, incorrect process condition setting, use of defective raw materials and inadequate sample testing. In such instances, we incur additional costs to remedy these defects, including by making compensation to customers. We may re-assemble packages or re-test products that are returned to us based on our customers' additional requirements in order to minimize fraud and the reoccurrence of defects. Our failure to effectively manage these defects and liability risks could cause us to incur additional repair or replacement costs and other economic losses, and our reputation and the market acceptance of our products and packages could be adversely affected.

If we fail to maintain an effective system of internal controls, we may not be able to complete our analysis of our internal control over financial reporting in a timely manner, accurately report financial results or prevent fraud or other liabilities.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are currently in the process of reviewing, documenting and testing our internal control over financial reporting. We may encounter problems or delays in implementing any changes necessary to make a favorable assessment of our internal control over financial reporting. Even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may still decline to attest to our management's assessment or may issue a report that is qualified, if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us.

Internal controls may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, fraud or corruption. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As part of our immediate holding company, UTAC Holdings Ltd's, or UTAC Holdings, ongoing process of enhancing our internal controls, our management made enhancements to our internal audit function, including the appointment of a new internal audit head in March 2014. Subsequent to these enhancements, in 2014, our internal audit department, in connection with a review at one of our non-U.S. facilities, identified a transaction in 2013 in which a local third party company that we had retained might have provided an improper payment of less than the equivalent of an aggregate of $50,000 to local government officials. Following our further investigation, we did not ascertain whether any such improper payment was in fact made. UTAC Holdings has taken several measures to enhance our governance procedures and controls at the facility, including for example by adopting more robust third party diligence procedures, discontinuing festive period gifts to local government officials and reducing cash-based transactions used in the ordinary course of our operations. At the same facility, UTAC Holdings also discovered financial processes and documentation that did not meet our standards and inadequate internal controls. To address these inadequacies and also to assist us in our operations and our financial reporting, significant and extensive improvements have been made, including to various information technology systems, such as the standardization of our SAP system. UTAC Holdings also intends to strengthen its documentation and internal controls processes by implementing various documentation and third party contracting policies. Over time, UTAC Holdings intends to implement a global shared services model for accounting functions to improve controls, including specifically the relocation of certain aspects of the accounting controls and financial reporting for this facility to another facility which has a more experienced finance team. There is no assurance that such measures taken to address these issues will be successful, or that we will not discover similar or other inadequacies at the same or other facilities, and any inability to rectify any such inadequacies may materially and adversely affect our ability to operate our business effectively and may damage our reputation and have an adverse impact on our business and prospects.

If we fail to remedy any deficiencies or maintain the adequacy of our internal controls, we could be subject to regulatory scrutiny, or civil or criminal penalties. Any failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our operating results or financial condition, subject us to regulatory scrutiny, impair our ability to raise capital, lower investor confidence and negatively affect the price of our securities.

We may not be able to meet our guidance which could adversely impact the trading prices of our securities.

We intend to periodically provide guidance to investors with respect to certain financial information for future periods. As discussed above under "— Our business, results of operations and financial condition have fluctuated and may fluctuate significantly as a result of factors outside of our control," our operating results and cash flows vary significantly and are difficult to accurately predict. Many factors, including global demand, industry inventory levels and customer forecasts which are generally non-binding, make it particularly difficult to predict future results. To the extent we fail to meet or exceed our own guidance for any reason, the trading prices of our securities may be adversely impacted. Moreover, even if we do meet or exceed that guidance, if investors do not react favorably, the trading prices of our securities may be adversely impacted.

Any further write-off of some or all of the goodwill and other intangibles that we recorded or if we are required to record a charge to earnings in the future due to impairment of our long-lived assets may adversely affect our future financial condition and results of operations.

In accordance with Singapore Financial Reporting Standards, or SFRS, goodwill is not amortized but is reviewed annually or periodically for impairment and other intangibles with finite lives that are subject to amortization over their useful lives are also reviewed for impairment whenever there is any indication that these intangibles may be impaired.

We accounted for the acquisitions of USG, UHK and their respective subsidiaries using the purchase method of accounting. The purchase price for the acquisition was allocated to identifiable tangible and intangible assets and assumed liabilities based on estimated fair values at the date of consummation of the acquisition. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired are recorded as goodwill. We did not record any impairment loss on goodwill for the years ended December 31, 2013, 2014 and 2015. As of December 31, 2015, the carrying amount of goodwill in our consolidated financial statements in connection with our acquisitions of USG, UTC, UTL and USC was approximately $643.4 million.

In addition, we may be required to record a charge to earnings in the future if we determine that our property, plant and equipment are impaired. As of December 31, 2015, the carrying amount of certain of our property, plant and equipment was approximately $464.5 million. We recorded impairment charges of $1.7 million for 2013, $6.3 million for 2014 and $3.5 million for 2015. In addition, we may be required to record a charge to earnings in the future if we determine that our property, plant and equipment is impaired. Any impairment of the value of goodwill, other intangibles or property, plant and equipment would result in a charge against earnings, which could materially adversely affect our future results of operations and financial position.

Significant fluctuations in exchange rates may adversely affect our financial condition and results of operations.

Our sales are generally denominated in U.S. dollars, and our operating expenses are generally incurred in U.S. dollars, Singapore dollars, Thai Baht, New Taiwan dollars, Chinese Renminbi, Japanese Yen and other currencies. Our capital expenditures, which include investments in property, plant and equipment, are generally denominated in U.S. dollars and Japanese Yen. As a result, we could be adversely affected by significant fluctuations in foreign currency exchange rates. Although we also may from time to time enter into hedging agreements with banks for a proportion of our net currency requirements, a depreciation of the U.S. dollar against the Singapore dollar, the Thai Baht and other currencies in which we incur expenses may increase our costs and, consequently, have a material adverse effect on our results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk — Foreign Exchange Risks."

Loss of any key management or other employees could seriously harm us.

Our performance largely depends on our ability to retain key management, technical, customer support and sales personnel and to attract additional qualified personnel. During the past few years, we have recruited several new senior management personnel, including our Chief Executive Officer, Dr. William John Nelson, who joined us in October 2012, and our Chief Financial Officer, Mr. Douglas J. Devine, who joined us in January 2014, our Senior Vice President of Product Line and Marketing, Mr. Asif R. Chowdhury, who joined us in March 2014, our Senior Vice President of Worldwide Sales, Mr. Jeffrey R. Osmun, who joined us in January 2013, and our Senior Vice President of Operations, Dr. Frank R. Myers, who joined us in March 2013, to implement several strategic and operational initiatives. There is no assurance that such initiatives will be successful or that we can continue to retain such personnel. In addition, we also consider our senior and mid-level managers and our technical personnel with specialized expertise in testing, equipment engineering, assembly development, assembly engineering and failure analysis to be important to our success. Any inability to retain our key management and technical employees or attract additional employees could disrupt our operations and could have a material adverse effect on our company.

We employ foreign workers at various facilities under work permits which are subject to the relevant government regulations. Consequently, our business could also be adversely affected if local regulations relating to the employment of foreign workers become significantly more restrictive or we are otherwise unable to attract or retain these workers at a reasonable cost.

Our intellectual property is important to our ability to succeed in our business but may be difficult to protect.

Our ability to compete successfully and achieve future growth in sales will depend, in part, on our ability to protect our proprietary technology. We seek to protect our intellectual property through the use of confidentiality and non-disclosure agreements and patent registrations.

As of December 31, 2015, we had a total of approximately 288 issued patents and 64 pending patent applications. Our existing patents are granted for prescribed periods of time and will expire in the future, and there is no assurance that we will be able to renew them. In addition, we cannot be certain that any of our applications for patents will be granted or, if granted, will not be challenged, invalidated or circumvented or will offer us adequate protection. Further, the laws of the jurisdictions in which we market our products have differing legal standards relating to the validity, enforceability and scope of protection of our intellectual property rights. Also, the steps we have taken to protect our proprietary rights may not be adequate.

Additionally, our competitors could develop patents or gain access to similar know-how and process technology, and any confidentiality and non-disclosure agreements upon which we rely to protect our proprietary information for our assembly and test services might not provide adequate protection. The occurrence of any of those events could reduce our profitability and affect our ability to succeed in our business.

We expect to have an ongoing need to obtain licenses for the proprietary technology of others, which subjects us to the payment of license fees and potential delays in the development and marketing of our products.

Our group companies have been licensed to use third-party patents in the operation of our business, of which less than 10.0% of our sales in 2015 were dependent on such third-party patents. We continue to develop and pursue patent protection for our own technologies but we may need to rely on such third-party license arrangements from time to time. To the extent these licenses are not perpetual and irrevocable, we believe that these licenses are renewable under normal commercial terms upon their expiration. However, we may be unable to utilize the technologies under these licenses if they are not extended or otherwise renewed or if any of these licenses are terminated by the licensor. Alternatively, if we are able to renew these license arrangements, they might not be renewed on the same terms. Any dispute with third-party licensors may also result in substantial payments by us or the licensors' termination of relevant licenses. Any failure to extend or renew these license arrangements or termination of these license arrangements could cause us to incur substantial liabilities or to suspend the assembly and test services and processes that utilize these technologies, which may result in a loss of our existing customers. The fees associated with such licenses could adversely affect our financial condition and results of operations, and may also render our services less competitive. If for any reason we are unable to license necessary technology on acceptable terms, it may become necessary for us to develop alternative technology internally, which could be costly and delay the marketing and delivery of key products, or we may be unable to do so on a cost effective or timely basis or at all, and therefore could result in a loss of customers and have a material adverse effect on our business and results of operations.

Our research and development investments may not yield profitable and commercially viable test or assembly services and may not increase our sales.

We invest significant resources in research and development. For example, our research and development expenses (which includes employee compensation, depreciation of equipment and amortization of intangible assets) were $12.3 million, $11.1 million and $9.2 million for the years ended December 31, 2013, 2014 and 2015, which represented 5.9%, 5.3% and 4.3%, respectively, of total operating expenses. However, our research and development efforts may not yield commercially viable test or assembly services. The qualification process for new assembly and test services is conducted in various stages which may take several years to complete, and during each stage there is a substantial risk that we will have to abandon a potential assembly or test service which is no longer marketable and in which we have invested significant resources. Even in the event that we are able to qualify new assembly or test services, a significant amount of time would have elapsed between our investment in new test or assembly services and the receipt of any related sales. Our research and development investments may not yield profitable and commercially viable assembly or test services or increase our sales.

Failure of our customers to pay the amounts owed to us in a timely manner may adversely affect our financial condition and results of operations.

We generally provide payment terms ranging from 30 to 60 days. As a result, we generate significant trade receivables, net of allowance for impairment of trade receivables, from sales to our customers, representing 13.0%, 14.3% and 16.3% of sales as of December 31, 2013, 2014 and 2015, respectively. As of December 31, 2015, the largest amount owed by a single customer was 15.0% of our total trade receivables and our allowance for impairment of trade receivables was $0.1 million as of December 31, 2015. If any of our customers has insufficient liquidity, we could encounter significant delays or defaults in payments owed to us by such customers, and we may need to extend our payment terms or restructure the receivables owed to us, which could have a significant adverse effect on our financial condition. Any deterioration in the financial condition of our customers will increase the risk of uncollectible receivables.

We lease some of the land on which some of our facilities are situated. We may not be able to continue to renew our leases or renew such leases on terms as favorable as we have negotiated in the past or at all and our existing leases may be terminated.

Some of the land on which our facilities in Singapore, Thailand, Taiwan and China are leased from third parties and are due to expire in the near future, with the earliest lease for part of the land at our Thailand facility expiring in October 2016. We could be subject to increased rental rates or new and unfavorable terms if we lease new premises or renew our lease at our current premises. For example, the land on which our assembly and test facility in Shanghai, China is located is held by us under a lease and such land is held by the owner subject to a mortgage that was entered into prior to our entering into the lease agreement. Under PRC law, if the mortgagee were to enforce its security interest in the property, the mortgagee could be entitled to take possession of the property without the obligation to assume the owner's obligations under our lease. We have no agreement in place with the mortgagee allowing us to continue to lease the property in the event that it enforces its security interest in the property. If such mortgagee ultimately takes possession of the land, we could be required to renegotiate our lease for this property on terms less favorable than our current lease or relocate our operations in Shanghai. If we relocate our facilities to new premises, the costs associated with relocating our operations could be substantial. If we are unable to renew these leases or relocate to new facilities on commercially acceptable terms, we may suffer business disruption or our rental costs could increase, which in turn could have a material adverse effect on our business and results of operations.

Liabilities and obligations under environmental laws and regulations could require us to spend additional funds and could adversely affect our business, financial condition and results of operations.

We are subjected to a variety of environmental laws and regulations in the jurisdictions in which we conduct operations, including laws and regulations relating to the use, storage, discharge and disposal of hazardous materials and the chemical by-products of, and waste water discharges from, our assembly and test processes. Furthermore, our activities are also subject to regulatory requirements on the environmental impact of our production processes in Singapore, Thailand, Taiwan and China. For example, we are required to institute processes for the disposal of residuals, wastewater, gas and noise pollution. We may also be subject to liability under such laws and regulations for the investigation or cleanup of contamination caused by, or other damages associated with, the release of hazardous materials in connection with current or historical operations at our facilities or offsite locations. While we believe that we are currently in compliance with such laws and regulations, any failure to comply with such laws and regulations in the future could materially and adversely affect our ability to continue to provide our services and could subject us to liabilities that may have a material adverse effect on our business, financial condition and results of operations. While we believe that we do not face material liabilities associated with contamination conditions, should other yet unknown contamination conditions be identified in the future, we could face environmental liabilities that may have a material adverse effect on our business, financial condition and results of operations.

Any failure to maintain a clean room environment or any occurrence of fire, flood, earthquake or other calamities at any of our facilities or disruption to the global semiconductor supply chain could adversely affect us.

We conduct our assembly and test operations at our facilities in Singapore, Thailand, Taiwan and China, some of which are subject to natural disasters such as earthquakes, tsunamis, typhoons, floods and other calamities. Our assembly and test operations take place in areas where air purity, temperature and humidity are controlled. If we are unable to control our assembly or test environment, our assembly or test equipment may become non-functional, test results may be adversely affected or the assembled and tested semiconductors may become defective. Further, significant damage to or other impediments to operations at any of these facilities, whether as a result of fire, inclement weather, the outbreak of infectious diseases (such as SARS or avian flu), civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes could temporarily disrupt or even shut down our operations, which would have a material adverse effect on our business, financial condition and results of operations. For example, our operations in Taiwan are vulnerable to typhoons and earthquakes, which could cause plant closures and transportation interruptions. In the event of such a disruption or shutdown, we may be unable to reallocate production to other facilities in a timely or cost-effective manner, or at all, and may not have sufficient capacity to service customer demands in our other facilities.

In addition, some of the processes that we utilize in our operations place us at risk of fire and other damage. For example, highly flammable gases are used in the preparation of wafers holding semiconductor devices for flip chip assembly. While we maintain insurance policies for various types of property, casualty and other risks, we do not carry insurance for some of the above referred risks and with regard to the insurance we do maintain, we cannot assure you that it would be sufficient to cover all of our potential losses. Further, any events that cause disruptions in the global semiconductor supply chain, for example, the earthquake in Japan in the first quarter of 2011 that affected the operations of some of our customers and suppliers, could adversely affect our business, financial condition and results of operations.

We believe we are in compliance with all applicable tax laws in the various jurisdictions where we are subject to tax, but our tax liabilities, including any arising from restructuring transactions, could be uncertain, and we could suffer adverse tax and other financial consequences if tax authorities do not agree with our interpretation of the applicable tax laws.

We and our subsidiaries collectively operate in multiple tax jurisdictions and pay income taxes according to the tax laws of these jurisdictions. Various factors, some of which are beyond our control, determine our effective tax rate and/or the amount we are required to pay, including changes in or interpretations of tax laws in any given jurisdiction and changes in geographical allocation of income. We accrue income tax liabilities and tax contingencies based upon our best estimate of the taxes ultimately expected to be paid after considering our knowledge of all relevant facts and circumstances, existing tax laws, our experience with previous audits and settlements, the status of current tax examinations and how the tax authorities view certain issues. Such amounts are included in income taxes payable or deferred income tax liabilities, as appropriate, and updated over time as more information becomes available.

We believe that we are filing tax returns and paying taxes in each jurisdiction where we are required to do so under the laws of such jurisdiction. However, it is possible that the relevant tax authorities in the jurisdictions where we do not file returns may assert that we are required to file tax returns and pay taxes in such jurisdictions. There can be no assurance that our subsidiaries will not be taxed in multiple jurisdictions in the future, and any such taxation in multiple jurisdictions could adversely affect our business, financial condition and results of operations.

In addition, we may from time to time be subject to enquiries from tax authorities of the relevant jurisdictions on various tax matters, including challenges to positions asserted on income and withholding tax returns. We cannot be certain that the tax authorities will agree with our interpretations or that the tax authorities will resolve any enquiries in our favor. To the extent the relevant tax authorities do not agree with our interpretation, we may seek to enter into settlements with the tax authorities which may require significant payments and may adversely affect our results of operations or financial condition. We may also appeal against the tax authorities' determinations to the appropriate governmental authorities, but we cannot be sure we will prevail. If we do not prevail, we may have to make significant payments or otherwise record charges (or reduce tax assets) that could adversely affect our results of operations, financial condition and cash flows. Similarly, any adverse or unfavorable determinations by tax authorities on pending enquiries could lead to increased taxation on us, that may adversely affect our business, financial condition and results of operations.

We receive preferential tax treatment in Singapore, Thailand and Taiwan. Such preferential tax treatment may not be available to us if the conditions attached to them are not complied with or are no longer applicable.

We enjoy certain tax holidays and other tax incentives in Singapore, Thailand and Taiwan, which are subject to certain conditions, such as achieving certain amounts of capital expenditure and headcount by certain dates. Our taxes in those jurisdictions could increase if we do not meet these conditions, or if tax rates applicable to us in those jurisdictions are otherwise increased.

For example:

- Our subsidiary, UHQ, and UTAC Manufacturing Services Pte. Ltd., or UMS, a subsidiary of our immediate holding company, UTAC Holdings, have been awarded the Development and Expansion Incentive under the International Headquarters Award Scheme by the Singapore Economic Development Board, or the EDB. Under this scheme, UHQ and UMS enjoy a concessionary tax rate of 5% on the taxable income derived from qualifying activities for the period commencing from May 1, 2015 and June 2, 2014, for UHQ and UMS, respectively, and ending on June 1, 2024, subject to satisfaction of conditions prescribed in the Letter of Award from the EDB. The conditions are divided into three tranches of escalating requirements as to the minimum annual total business expenditure of, and the minimum number of skilled employees employed by, UHQ and UMS, both individually and collectively. For example, UHQ and UMS are required to collectively incur an annual total business expenditure of at least S$280 million (of which at least S$208 million and S$66 million shall be incurred by UHQ and UMS, respectively) from the applicable commencement date through June 1, 2018 and to collectively employ at least 164 skilled employees (of which at least 150 and 14 shall be in the employment of UHQ and UMS, respectively) by December 31, 2017. These conditions must be maintained until the end of this first tranche of the incentive period (i.e. June 1, 2018). Subsequently, in order to qualify for a second tranche of two years of the incentive which commences from June 2, 2018 to June 1, 2020, UHQ and UMS are required to collectively incur an annual total business expenditure of at least S$310 million (of which at least S$210 million shall be incurred by UHQ and at least S$90 million shall be incurred by UMS) from June 2, 2018 through June 1, 2020 and they are required to collectively employ at least 176 skilled employees (of which at least 154 shall be in the employment of UHQ and at least 22 shall be in the employment of UMS) by December 31, 2019. These conditions must be maintained until end of this second tranche of the incentive period (i.e. June 1, 2020). On the basis that UTAC Holdings amalgamates UMS into UHQ on June 2, 2020, for UHQ to qualify for a third tranche of four years of the incentive, from June 2, 2020 to June 1, 2024, UHQ is required to incur an annual total business expenditure of at least S$330 million from June 2, 2020 through June 1, 2024 and employ at least 192 skilled employees by December 31, 2023. These conditions must be maintained until end of this third tranche of the incentive period (i.e. June 1, 2024). Any failing of the conditions above, UHQ (and UMS) will be subject to the prevailing corporate tax rate in Singapore of 17%. UHQ (and UMS) are obligated to inform the EDB of any changes in the shareholders in the event that they are different from those indicated in the original application to the EDB.

- In Thailand, UTL has been granted Investment Promotion Scheme incentive under the Board of Investment of Thailand, or BOI, and Bonded Warehouses scheme under the Customs Act.

  The Investment Promotion Scheme includes an exemption from payment of (i) import duty on machinery approved by the BOI; (ii) income tax for operations including integrated circuits testing and wafer testing for period to 2029 with no limit of amount stated in the scheme; and (iii) import duty on essential indirect materials used in the manufacturing of export products up to 2015. As a BOI promoted company, UTL must comply with the conditions and restrictions set out in the investment promotion certificates issued by the BOI. If these conditions are not met, UTL will be subject to the prevailing corporate tax rate in Thailand of 20%.

  Materials stored in bonded warehouse are used in the process of producing, mixing or assembling before export out of the country. Under the Bonded Warehouses scheme, UTL are exempted from the payment of import taxes and duties (i) of the raw or essential direct materials imported, and (ii) from 2015 onward import of indirect material. However materials must export within a two year period after the importation, otherwise those materials shall be subject to taxes and duties.

Similarly, the imported materials shall be subject to taxes and duties if they are removed from the bonded warehouse for domestic consumption.

- In Taiwan, the Statute of Industrial Innovation allows UTC to enjoy tax credits on research and development. In particular, subject to the satisfaction of certain conditions, UTC may claim a tax credit equal to 15% of its research and development expenditures to offset up to 30% of its income tax in the relevant financial year. The tax credits cannot be carried forward and any unused tax credits will be forfeited. This tax incentive is available for the 10-year period from January 1, 2010 until December 31, 2019.

  Since the Income Basic Tax Act was amended in 2012, most of the tax incentives UTC enjoys have been reduced to the extent of the alternative minimum income tax, which is 12.0% of the amount otherwise exempted from business income tax. In determining the income tax payable by a profit-seeking enterprise under Taiwan law, the regular income tax, that is, the traditional income tax payable under the Income Tax Act (after subtraction of investment tax credits), is compared to the Basic Tax calculated under the new law. The Basic Tax is calculated by deducting NT$0.5 million from the Basic Income (which is taxable income plus tax-exempt income), and multiplying the difference by a tax rate of 12.0%, which is adjustable to 15.0% depending on economic conditions.

We regularly assess the likelihood of achieving the conditions attached to these preferential tax treatment and tax incentives. While we believe we have taken adequate steps to obtain reasonable assurance that these conditions will be satisfied, we cannot assure you that we would continue to be eligible for such preferential tax treatment in the future. If we do not satisfy all the conditions, we may be subject to a higher tax rate.

Global A&T Electronics is a holding company that has no independent operations and is dependent on its subsidiaries for cash.

Global A&T Electronics is a holding company and our investments in our operating subsidiaries constitute all of our assets. We operate our business through these subsidiaries, which are located in various jurisdictions. Therefore, the availability of funds to pay dividends to our shareholders partly depends on dividends received from these subsidiaries. The ability of our subsidiaries to pay dividends or make other advances and transfers of funds will depend on any local law restrictions on declaration and payment of dividends (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Exchange Controls" for further details), their results of operations and financial performance which, in turn, will depend on the successful implementation of our strategy and on financial, competitive, regulatory, general economic conditions, demand and other factors specific to our industry, many of which are beyond our control, as well as the availability of funds. Moreover, the terms of various credit arrangements entered into by such subsidiaries contain significant restrictions on the ability of these subsidiaries to pay dividends (see also "Description of Certain Indebtedness"). Statutory and other legal restrictions of the respective jurisdictions of incorporation of such subsidiaries may also prevent such subsidiaries from paying dividends.

Risks Related to Countries Where We Operate

Disruptions in the international trading environment may seriously decrease our international sales.

A substantial portion of our sales is derived from sales to international customers, who are based in locations where we do not have any assembly and test facilities. The success and profitability of our international activities depend on certain factors beyond our control, such as general economic conditions, labor conditions, political stability, macro-economic regulating measures, tax laws, import duties, transportation difficulties, fluctuation of local currency and foreign exchange controls of the countries in which we sell our products, as well as the political and economic relationships among the jurisdictions where we manufacture and jurisdictions where our customers are headquartered. As a result, our services will continue to be vulnerable to disruptions in the international trading environment, including adverse changes in foreign government regulations, political unrest and international economic downturns.

Any disruptions in the international trading environment may affect the demand for our assembly and test services and could change the terms upon which we provide our services in international markets, which could impact our business, financial condition and results of operations.

We are subject to various laws and regulations in the jurisdictions in which we operate. Any non-compliance with the relevant laws and regulations, introduction of new foreign exchange policies or political instability in jurisdictions in which we operate, particularly in Singapore, Thailand, Taiwan, China and Hong Kong, could have an adverse effect on our financial condition and results of operations or make it more difficult for us to operate successfully.

A significant portion of our operations and business are carried out in Singapore, Thailand, Taiwan, China and Hong Kong. Substantially all of our property, plant and equipment are located outside of the United States. Moreover, many of our customers and the vendors in our supply chain are located outside of the United States as well. As a result, we are subject to laws, rules and regulations in all these jurisdictions. These laws, rules and regulations, and the interpretation thereof, are subject to change from time to time.

We believe that we are currently in compliance with applicable laws, rules and regulations in the jurisdictions in which we operate. Where we have identified instances of non-compliance, we have taken steps to ensure subsequent compliance, with the relevant laws, rules and regulations. We believe that none of the instances of non-compliance that we have identified are material. However, there is no assurance that we have identified all instances of non-compliance, or that we can rectify past non-compliance, with relevant laws, rules and regulations. Consequently, it is possible that the relevant authorities may assert that we failed to comply with the relevant laws, rules and regulations in respect of our past activities. In the event that we are found to have not been in compliance with any such laws, rules, regulations, restrictions or licensing requirements, the potential consequences of such non-compliance could have an adverse effect on our financial condition and results of operations.

We are also subject to certain risks inherent in doing business in these jurisdictions, including regulatory limitations imposed by the respective governments, military and terrorist risks, disruptions or delays in shipments caused by customs brokers or government agencies, unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations and potentially adverse tax consequences resulting from changes in tax laws.

We are exposed to the risks of doing business in China. These risks include economic and political uncertainties, an uncertain legal environment, changes in foreign exchange and foreign investment regulations, restrictions on convertibility of the Chinese Renminbi into foreign currency and changes in the value of the Chinese Renminbi, or potential violations of labor rules and standards in China. In addition, the Chinese legal system is a codified legal system and, unlike common law jurisdictions such as the United States or Singapore, decided cases do not form part of the legal structure and thus have no binding effect. As such, the administration of Chinese laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolution processes not having the level of consistency or predictability as in other jurisdictions.

Our business is also subject to the volatile economic and political conditions in Thailand. Although we have not yet been affected by the events of recent years, there is no assurance that future disturbances will not affect our ability to conduct business or affect the value of the Thai Baht in ways that may be unfavorable to us. In particular, in Thailand, since the Royal Thai Army declared martial law nationwide and on May 22, 2014, the National Council for Peace and Order dissolved the senate and assumed control of the government. It is difficult to accurately predict the effects of the recent political upheaval or to determine whether the new government will seek to change Thailand’s legal and regulatory environment.

We also have significant production facilities located in Taiwan and a substantial part of our sales are derived from operations in Taiwan. Relations between Taiwan and China and other factors affecting military, political or economic conditions in Taiwan could have a material adverse effect on our financial condition and results of operations.

There can be no assurance that economic, political or legal developments in any of these jurisdictions would not have a material adverse effect on our business, financial condition and results of operations.

Our ability to make further investments in our subsidiaries may be dependent on regulatory approvals.

Our subsidiaries may require future equity-related financing, and any capital contributions to certain of our subsidiaries, such as USC and UDG, may require the approval of the relevant authorities in the jurisdiction in which the subsidiary is incorporated. The approvals are required by the investment commissions of the particular jurisdiction and relate to equity investments by foreign entities in local corporations. We may not be able to obtain any such approval in a timely manner or at all.

We are controlled by Global A&T Holdings, which is controlled by Affinity Equity Partners and TPG Capital, and their interests may conflict with the interests of other holders of our securities.

We are a wholly-owned and controlled indirect subsidiary of Global A&T Holdings, or GATH, which is controlled by Affinity Equity Partners and TPG Capital. As a result, GATH has significant influence over the election of our directors, the approval of a mergers, reorganizations or sale of substantially all of our assets and the approval of most other actions requiring the authorization of our shareholders. Control of a majority of our shares by GATH could delay, defer or prevent a future take-over or a change in control of our company and could make some transactions more difficult or impossible to complete without the support of GATH.

There can also be no assurance that conflicts of interest will not arise between certain of our principal shareholders, certain of our directors and our company, and that such conflicts can be resolved. For example, our entire board of directors are officers or directors of either Affinity Equity Partners or TPG Capital, which control our ultimate parent company, GATH. A person's service as an officer or director of our company and another related entity could create potential or actual conflicts of interest when those individuals are faced with decisions that could have different implications for us and the other entity. For example, conflicts of interest may arise during decisions regarding our financial and dividend policy, compensation and benefit programs and determinations with respect to our tax returns, and over the allocation of our directors' time and efforts between our company and another entity in general. These and other conflicts of interest may result in a material and adverse impact to our business, results of operations, financial condition and the prices of our securities.

Accounting standards in Singapore may vary from those in other jurisdictions, and such variations may have a material adverse effect on our financial statements and results of operations.

Our financial statements are prepared in accordance with SFRS which differs in material respects from generally accepted accounting principles of the United States, or U.S. GAAP. We have not quantified or identified the effects of the aforementioned differences between SFRS and U.S. GAAP in this annual report. Accordingly, there can be no assurance, for example, that profit/(loss) after taxation distributable by us and share capital and reserves reported in accordance with SFRS would not be lower if determined in accordance with U.S. GAAP. Potential investors should consult their own professional advisers if they want to understand the differences between SFRS and U.S. GAAP, and how such differences might affect the information contained herein.

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 historical consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 and the related notes thereto, and other financial information included elsewhere in this annual report. Our results of operations have varied and may continue to vary significantly from year to year and are not necessarily indicative of the results of any future periods.

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," "Cautionary Statement Regarding Forward-Looking Information" and elsewhere in this annual report. Our consolidated financial statements have been prepared in accordance with 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.

We are headquartered in Singapore, with production facilities located in Singapore, Thailand, Taiwan and China. In China, our facilities are located in Dongguan and Shanghai.

In 2015, we had sales of $679.1 million, a decrease of 7.5% compared to sales of $734.1 million in 2014. In 2015, 64.9% of our sales were from assembly services and 35.1% of our sales were from test services, and our analog, mixed-signal and logic, and memory product categories accounted for 40.5%, 47.3% and 12.2% of our sales, respectively. Our adjusted EBITDA was $170.2 million in 2015, a decrease of 18.3% compared to adjusted EBITDA of $208.2 million in 2014.

Factors Affecting Our Results of Operations

The following key trends are important to understanding our business:

Changes in Demand from Our Customers

Our results of operations are primarily affected by demand for our services by our customers, who are in turn affected by changes in their market share in the markets in which they compete and changing consumer demand. Our customers allocate the semiconductor assembly and test services they outsource among a number of providers, and as a result, the demand for our services by our customers is dependent on our price competitiveness, quality levels, timeliness of delivery and the scope of services we offer compared against our competitors and our customers' own in-house assembly and test capabilities. In 2013, we experienced a decrease in demand primarily due to reduced orders from our analog customers and because a key customer in our memory business changed its strategy and insourced more of its assembly and test requirements.

Our new customers usually require us to pass a lengthy and rigorous qualification process that can take more than nine months to complete with the consequence that we typically only realize any meaningful sales contributions from such customers approximately one to two years or longer from the time we commence the qualification process.

Global macroeconomic conditions also have a significant impact on our results of operations because they affect consumer spending and demand generally. Our diversified product categories of analog, mixed-signal and logic, and memory partially mitigate our exposure to industry volatility as these product categories typically experience slightly different cycles due to different growth drivers and business dynamics. In 2015, analog, mixed-signal and logic, and memory product categories accounted for 40.5%, 47.3% and 12.2% of our sales, respectively.

Sales Mix Impacting Margins

We price our assembly and test services primarily based on prevailing market prices, our materials and components costs, labor and overhead costs, and depreciation. The unit price charged for assembly services is generally higher than that for test services because assembly services use significantly more materials. On the other hand, test services generally have higher gross profit margins than assembly services because test services require minimal materials and components costs.

The sales mix between our assembly and test services has not historically experienced sharp fluctuations and is primarily affected by customer demand. Sales from our assembly business as a percentage of our sales were 67.0%, 65.9% and 64.9% in 2013, 2014 and 2015, respectively. Sales from our test business as a percentage of our sales were 33.0%, 34.1% and 35.1% in 2013, 2014 and 2015, respectively.

A substantial portion of the sales of our assembly services are derived from the analog product category, and the majority of the sales of our test services are derived from the mixed-signal and logic product category. Our analog assembly services command higher gross profit margins than our assembly services for other product categories and our mixed-signal and logic test services command higher gross profit margins than our test services for other product categories. As a result, our gross profit margins could be expected to improve if analog assembly services and mixed-signal logic test services represent a larger proportion of our sales.

Semiconductor product prices tend to decline over the product life cycle, commanding a premium in the early stages and declining towards the end of the cycle. Therefore, prices for assembly and test services also decline in line with the semiconductor product prices over the product life cycle. In addition, our pricing for assembly and test services have historically declined in line with industry trends. However, as we do not focus on early stage products, our average selling prices tend to decline relatively gradually compared to prices for services provided across the entire semiconductor product life cycle.

We have generally offset such declines in average selling prices over the last several years through:

- cost savings realized through our procurement strategy;
- reduction in our overhead cost structure and increase in labor productivity;
- reduction in our energy use; and
- increasing the output from our existing equipment base.

Fixed Costs

Our operations, in particular our test operations, are capital intensive and characterized by relatively high fixed costs. We typically increase our capital expenditure only when we believe there is demand from customers for particular services and we have the flexibility of increasing or decreasing the levels of our capital expenditure in anticipation of any improvement or deterioration in market conditions. However, such flexibility in anticipating our capital expenditure requirements is limited because our customers typically only provide us with non-binding rolling forecasts of their service requirements for periods of up to six months.

As a result of our continual requirement to acquire and invest in assembly and test equipment, we expect to continue to incur substantial depreciation expenses, a substantial majority of which are included in our cost of sales. We incurred depreciation expenses of $151.7 million, $132.6 million and $118.8 million for 2013, 2014 and 2015, which represented 23.3%, 21.7% and 20.9%, respectively, of our cost of sales for each of those periods.

Due to our high fixed costs, our profitability depends substantially on the pricing levels of our services and our equipment utilization rate, which is dependent on the volume and variety of products for which we provide assembly and test services and our total installed equipment base. An increase in the volume of products, which in turn increases our equipment utilization rate, will generally result in a decrease in the unit cost of assembly and test services because fixed costs, such as depreciation expense and operating costs, are allocated over a larger number of units.

Our ability to manage our gross profit margins will continue to depend in part on our ability to effectively maintain or increase our equipment utilization. We intend to continue to optimize our equipment utilization through:

- improvements in productivity and efficiency in our processes, maintenance and upgrading activities to extend the useful life of our equipment;

- purchasing new equipment and retiring old and obsolete, or less efficient, equipment; and

- sourcing for new customers, maintain commitments from and/or obtaining increased commitments by customers for our services.

Materials and Components Costs

Substantially all of our materials and components costs are attributable to our assembly business because test operations use minimal materials and components. The principal materials used in our assembly business include gold, copper, molding compound and epoxy, and components include substrates and lead-frames. We intend to maintain a varied source of suppliers to obtain competitive prices for materials and components that we use and, where possible, we attempt to source from suppliers in close proximity to our manufacturing facilities with a view to reducing freight cost and the time required for delivery to our facilities.

We have developed copper wire bonding processes in line with the demand for copper wire bonders as a low cost, high performance manufacturing solution for fine-pitch and ultra-fine pitch bonding. As more of our customers transition from gold to copper, our exposure to the fluctuation in gold prices is expected to decrease. However, gold is still one of the principal materials used in our assembly services and accounted for 10.3%, 8.1% and 7.1% of our cost of sales for 2013, 2014 and 2015, respectively. The average cost of gold per troy ounce for our operations has fluctuated significantly from an approximate average of $1,624 per troy ounce in 2013 to $1,242 per troy ounce in 2014 and to $1,227 per troy ounce in 2015.

We may be able to offset a portion of the increased gold prices by passing through the price changes to our customers, but this will depend on the existing agreements with our customers or negotiations with our customers where we do not have any formal agreement. If gold prices decrease, our customers may also require that we reduce our prices. We may enter into certain gold forward contracts to hedge the gold price risk for part of our gold purchase volume if the opportunity arises, but expect to continue to be subject to significant fluctuations in the price of gold.

Employee Compensation

Employee compensation constitutes a significant part of the costs and expenses we incur for our assembly and test services. Employee compensation comprises of wages and salaries, employer's contribution to employee contribution plans, post-employment pension benefits, long service award and termination benefits. This also includes the employment costs from our direct and indirect labor, and research and development personnel. We incurred employee compensation costs of $198.5 million, $203.6 million and $198.6 million for 2013, 2014 and 2015, respectively. As certain of our employees in Singapore are unionized, our employee compensation costs may increase if we agree to wage increases in any future wage negotiation with the unions.

The decrease in our employee compensation costs from 2014 to 2015 is mainly attributable to the impact of U.S. dollar appreciation on our employee compensation costs denominated in Singapore dollars and lower employee bonus compensation in 2015 as compared to 2014. The increase in our employee compensation costs from 2013 to 2014 is mainly attributable to the increase in the number of employees that we hired in 2014 and wage increases for our existing employees. For further details of our employee compensation costs, please refer to Note 8 to our audited consolidated financial statements included elsewhere in this annual report.

Acquisitions

Other than organic growth, we have also grown our business and operations through acquisitions. Each acquisition may materially change our overall results of operations and financial profile, and may cause period to period comparisons of our financial statements not to be meaningful. For example, our acquisition of ASAT Limited (now known as UHK) in 2010 and NS Electronics Bangkok (now known as UTL) in 2006 strengthened our position and intellectual property portfolio in quad-flat no-lead, or QFN, packages. We may consider future acquisitions of, or investments in, complementary businesses or assets from time to time. Any of such acquisitions or investments could have a material effect on our business, financial condition and results of operations.

Long-Term Liabilities

We had in February 2013 issued $625.0 million in aggregate principal amount of senior secured notes, and in September 2013 issued $502.3 million in aggregate principal amount of senior secured notes. See "— Total Borrowings — Long Term Borrowings" and "Description of Certain Indebtedness" for further details. Our finance expenses were $120.7 million, $120.7 million and $121.9 million in 2013, 2014 and 2015, representing 123.5%, 99.0% and 111.5%, respectively, of our gross profit in each of those periods. See also "— Liquidity and Capital Resources" for the impact of our borrowings on our net cash position.

Foreign Currency Fluctuations

Our sales are generally denominated in U.S. dollars. We are exposed to currency risk which arises primarily due to our operating expenses being generally denominated in other currencies such as Singapore dollars, Thai Baht, Chinese Renminbi, New Taiwan dollars and Japanese Yen. Because our receivables are denominated in U.S. dollars, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect our cost of goods sold and operating margins and could result in exchange losses. We cannot fully predict the impact of future exchange rate fluctuations on our profitability.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with SFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Critical accounting policies reflect significant judgments and uncertainties and may result in materially different results under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that we believe are reasonable under the current circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

We believe that the application of the following accounting policies, which are important to our consolidated financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Notes 2 and 3 to our audited consolidated financial statements for the years ended December 31, 2013, 2014 and 2015 included in this annual report.

Goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to each of our cash-generating-units, being assembly and test services, which are expected to benefit from synergies arising from the business combination. The recoverable amounts from our cash-generating units are determined based on forecasted value-in-use calculations for five years. These calculations require the use of estimates.

If our estimated gross profit margin were lowered by 1.0% in each of the forecasted years with all other variables held constant, the recoverable amounts from our assembly services would be reduced by approximately $53.6 million, $48.2 million and $51.9 million for the years ended December 31, 2013, 2014, and 2015, respectively, and our test services would be reduced by $26.2 million, $32.4 million and $31.1 million for the years ended December 31, 2013, 2014 and 2015, respectively. The carrying amount of goodwill as of December 31, 2013, 2014 and 2015 would not be impaired.

If our estimated pre-tax discount rate applied to the discounted cash flows from our assembly and test services were raised by 1.0% with all other variables held constant, the recoverable amounts from our assembly services would be reduced by approximately $86.8 million, $96.3 million and $72.7 million for the years ended December 31, 2013, 2014 and 2015, respectively, and the recoverable amounts from our test services would be reduced by approximately $95.7 million, $163.5 million and $99.3 million for the years ended December 31, 2013, 2014 and 2015, respectively. The carrying amount of goodwill as of December 31, 2013, 2014 and 2015 would not be impaired.

If our estimated weighted average revenue growth rate for the next five years applied to the discounted cash flows from our assembly services were lowered by 1%, 1% and 3% for the years ended December 31, 2013, 2014, and 2015, respectively, with all other variables held constant, the recoverable amount from our assembly services would be reduced by $14.2 million, $34.9 million, and $44.3 million for such years, respectively. If our estimated weighted average revenue growth rate for the next five years applied to the discounted cash flows from our test services were lowered by 2% with all other variables held constant, the recoverable amount from our test services would be reduced by $141.7 million, $39.2 million, and $19.0 million for the years ended December 31, 2013, 2014, and 2015, respectively. The carrying amount of goodwill would not be impaired.

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

Impairment charges of $1.7 million, $6.3 million and $3.5 million were recognized on certain plant and machinery for the financial years ended December 31, 2013, 2014 and 2015, respectively. The impairment charges recognized for these assets were due to events and circumstances that indicate that the carrying amount would exceed the recoverable amounts. The recoverable amounts of such plant and machinery were determined based on their fair value less the costs of selling such assets. Fair value was determined by reference to quotations from third-party vendors for those plant and machinery that were identified for sale.

Uncertain tax positions

We are subject to various taxes in numerous jurisdictions in which we operate. These include taxes on income, property, goods and services, and other taxes. In determining the tax liabilities, we are required to estimate their tax payable position based on deductibility of certain expenses and exemptions of certain taxable income due to tax incentives granted in respective tax jurisdictions. 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 re-assess the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes. We have open income tax assessments as of December 31, 2015. As we believe that the income tax positions are sustainable, we have not recognized any additional tax liability on these uncertain tax positions.

Key Components of Our Statement of Comprehensive Income

Our statement of comprehensive income comprises the following line items:

Sales

We generate sales from our semiconductor assembly and test operations. We generally recognize sales when we complete the assembly and test services provided to our customers.

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:

Service type	2013 Amount	2013 Percentage of sales	2014 Amount	2014 Percentage of sales	2015 Amount	2015 Percentage of sales
	($ in millions, except percentages)					
Assembly	501.5	67.0%	483.7	65.9%	440.7	64.9%
Test	246.9	33.0%	250.4	34.1%	238.4	35.1%
Total	**748.4**	**100.0%**	**734.1**	**100.0%**	**679.1**	**100.0%**

The following tables set 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:

Product category	2013 Amount	2013 Percentage of sales	2014 Amount	2014 Percentage of sales	2015 Amount	2015 Percentage of sales
	($ in millions, except percentages)					
Analog	283.7	37.9%	292.8	39.9%	275.0	40.5%
Mixed-signal and logic	349.5	46.7%	346.0	47.1%	321.0	47.3%
Memory	115.2	15.4%	95.3	13.0%	83.0	12.2%
Total	**748.4**	**100.0%**	**734.1**	**100.0%**	**679.1**	**100.0%**

Sales from all three of our product categories declined in 2015 compared to 2014 as a result of weak demand in key semiconductor markets such as smartphones and PCs and customers' inventory levels remaining elevated throughout 2015. Sales from our analog product category declined in 2015 from 2014 primarily due to reduced outsourcing from integrated device manufacturer customers. Sales from our mixed-signal and logic product category declined primarily due to weak fabless and foundry sales.

Sales from our analog product category increased in 2014 from 2013 as we gained market share and business with our customers particularly in the second half of 2014. Sales from our mixed-signal and logic product category remained flat in 2014 compared to 2013. Sales from our memory product category declined to $95.3 million in 2014 from $115.2 million in 2013 due to the continued reduced demand from a key customer who had in 2013 changed its strategy and insourced more of its assembly and test requirements. In connection with the continued reduced demand, we sold some memory equipment in 2014.

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:

Geography	2013 Amount	2013 Percentage of sales	2014 Amount	2014 Percentage of sales	2015 Amount	2015 Percentage of sales
	($ in millions, except percentages)					
United States	475.9	63.6%	484.6	66.0%	422.9	62.3%
Japan	25.8	3.4%	25.1	3.4%	21.4	3.2%
Asia (excluding Japan)	171.8	23.0%	148.1	20.2%	157.7	23.2%
Europe	71.3	9.5%	72.8	9.9%	72.2	10.6%
Others	3.5	0.5%	3.5	0.5%	4.9	0.7%
Total	**748.4**	**100.0%**	**734.1**	**100.0%**	**679.1**	**100.0%**

Cost of Sales

Our cost of sales consists principally of the following:

- direct materials and direct labor, which vary in line with the level of our sales;

- indirect labor, indirect materials (being ancillary materials and other supplies used in the assembly and test process), utilities, equipment maintenance, operating supplies and tooling, which vary in part with the level of our sales; and

- depreciation and general expenses incurred in maintaining our facilities, which are generally fixed and do not vary in line with our sales. Our depreciation expenses vary in line with the level of our capital expenditure, sales of equipment that has not been fully depreciated and the remaining useful life of the equipment.

In most cases, the cost of the silicon die for our assembly services, typically the most costly component of the assembly services, is not reflected in our cost of sales because it is supplied by our customers on a consignment basis.

Our cost of sales for our assembly services is generally higher than that for our test services due to more materials being required for our assembly operations, while the depreciation expenses for our test services is generally higher than that for our assembly services due to higher capital expenditure on test equipment for our test operations. Our analog and mixed-signal and logic assembly operations generally have higher materials costs compared to our memory assembly operations.

In 2013, 2014 and 2015, we were also able to reduce our cost of sales as a result of our cost reduction initiatives which began in 2012. These cost reduction initiatives resulted in:

- the adoption of annual cost reduction targets; and

- the sale of one of our Singapore facilities in 2014 as we consolidated our Singapore operations into one facility.

Other Income

Other income primarily consists of sales of scrap, interest income and rental income.

Other Gains / (Losses) – Net

Other gains / (losses) – net primarily consists of:

- certain non-recurring items such as (i) gain on extinguishment of our previous second priority term loans upon the issuance of our $502.3 million in aggregate principal amount of senior secured notes in September 2013, and (ii) write back of unclaimed monies from the previous shareholder of USG;

- net gain on disposal of property, plant and equipment and non-current assets held for sale, which are not part of our sales, and currency exchange losses or gains – net, which are a result of gains or losses from translations of our non-U.S. dollar denominated monetary assets and liabilities as at the end of the year.

Expenses

Our expenses include selling, general and administrative expenses, research and development expenses, finance expenses and other expenses. The table below shows the amount and percentage of each expense component to our sales, and our expenses, for the years ended December 31, 2013, 2014 and 2015:

Expenses	2013 Amount	2013 Percentage of sales	2013 Percentage of expenses	2014 Amount	2014 Percentage of sales	2014 Percentage of expenses	2015 Amount	2015 Percentage of sales	2015 Percentage of expenses
	Year ended December 31, ($ in millions, except percentages)								
Selling, general and administrative	57.7	7.7%	27.9%	65.4	8.9%	31.3%	71.6	10.5%	33.8%
Research and development	12.3	1.6%	5.9%	11.1	1.5%	5.3%	9.2	1.4%	4.3%
Finance	120.7	16.1%	58.3%	120.7	16.4%	57.8%	121.9	18.0%	57.5%
Others	16.4	2.2%	7.9%	11.7	1.6%	5.6%	9.2	1.4%	4.3%
Total	**207.1**	**27.6%**	**100.0%**	**208.9**	**28.5%**	**100.0%**	**211.9**	**31.3%**	**100.0%**

Selling, general and administrative expenses primarily include salary, remuneration and other personnel related expenses for sales and marketing staff, administrative staff and directors, overheads such as freight and shipping, recruitment and training expenses, depreciation expense and amortization of intangible assets, such as software. Our other intangible assets, including patents and licenses, customer relationships and favorable leasehold interest are also amortized.

Our research and development expenses are primarily associated with the development of advanced packages and assembly techniques to meet the individual needs of our customers and the development of high speed test capability, software and processes to enhance test accuracy and efficiency and to shorten test time of semiconductors. Our research and development expenses also include the compensation costs of our research and development personnel, depreciation of equipment and amortization of intangible assets.

Finance expenses consist mainly of interest expense on borrowings related to the indebtedness under the indenture, previous senior term loan facilities and previous second priority term loans (that we obtained in connection with our acquisition of USG) and finance leases.

Other expenses consist primarily of impairment loss of property, plant and equipment, and professional, legal and consultancy fees in relation to mergers and acquisitions and restructuring activities.

Share of Loss of Associated Company

Share of loss of associated company constitutes profits and losses from our 19.9% interest in Nepes Pte. Ltd. We disposed of our interest in Nepes Pte. Ltd. in May 2014.

Income Tax Expense

Our income tax expense reflects the income tax expenses at the statutory rate in various applicable jurisdictions after taking into consideration, among others, any non-deductible expenses, tax incentives, and utilization of previously unrecognized tax benefits in each applicable jurisdiction. For further details of our policies on income taxes, refer to Note 2.21 to our audited consolidated financial statements for year ended December 31, 2015 included in this annual report.

Non-controlling Interests

Non-controlling interests are the part of the net results of operations and net assets of our subsidiaries, not attributable to interests owned directly or indirectly by our company.

Results of Operations

	Year ended December 31,					
	2013		2014		2015	
	Amount	Percentage of sales	Amount	Percentage of sales	Amount	Percentage of sales
	($ in millions, except percentages)					
Sales	748.4	100.0%	734.1	100.0%	679.1	100.0%
Cost of sales	(650.7)	(86.9%)	(612.2)	(83.4%)	(569.7)	(83.9%)
Gross profit	97.7	13.1%	121.9	16.6%	109.3	16.1%
Other income	7.7	1.0%	8.9	1.2%	5.1	0.8%
Other gains/(losses) – net	29.6	4.0%	35.2	4.8%	(1.9)	(0.3%)
Expenses:						
Selling, general and administrative	(57.7)	(7.7%)	(65.4)	(8.9%)	(71.6)	(10.5%)
Research and development	(12.3)	(1.6%)	(11.1)	(1.5%)	(9.2)	(1.4%)
Finance	(120.7)	(16.1%)	(120.7)	(16.4%)	(121.9)	(18.0%)
Others	(16.4)	(2.2%)	(11.7)	(1.6%)	(9.2)	(1.4%)
Share of loss of associated company	(4.5)	(0.6%)	–	–	–	–
Loss before tax	(76.5)	(10.2%)	(42.9)	(5.8%)	(99.4)	(14.6%)
Income tax expense	(2.5)	(0.3%)	(12.8)	(1.7%)	(18.1)	(2.7%)
Loss after tax	**(78.9)**	**(10.6%)**	**(55.7)**	**(7.6%)**	**(117.5)**	**(17.3%)**
Add/(deduct):						
Income tax expense	2.5		12.8		18.1	
Finance expenses	120.7		120.7		121.9	
Depreciation of property, plant and equipment	151.7		132.6		118.8	
Amortization of intangible assets	16.4		16.0		15.8	
Earnings before interest, taxes, depreciation and amortization (“EBITDA”)(1)(3)	**212.4**		**226.4**		**157.1**	
Add/(deduct):						
Net loss on sale or impairment of property, plant and equipment	1.9		6.8		6.6	
Restructuring costs	10.1		4.2		1.1	
Loss on write-off of net assets on liquidation of subsidiaries	-		0.2		-	
Share of loss of associated company	4.5		-		-	
Gain on extinguishment of borrowings, net of expenses	(21.1)		-		-	
Write-back of unclaimed monies from the previous shareholders of a subsidiary	(4.8)		-		-	
Redemption liabilities	0.3		-		-	
Gain on sale of building in Singapore	-		(28.6)		-	
Capital return from previously written off investment	-		(0.7)		-	
Dividend income	-		(0.1)		-	
Provision made for settlement of Tessera	-		-		3.0	
Reversal of provision unused	-		-		(2.0)	
Legal and professional fees	-		-		4.3	
Adjusted EBITDA(2)(3)	**203.3**		**208.2**		**170.2**	

Notes:

(1) We define EBITDA as loss adjusted for (i) income tax expense; (ii) finance expenses; and (iii) depreciation and amortization, which represent depreciation of property, plant and equipment and amortization of intangible assets.

(2) We define adjusted EBITDA as EBITDA adjusted for (i) net loss on sale or impairment of property, plant and equipment; (ii) restructuring costs; (iii) loss on write-off of net assets on liquidation of subsidiaries; (iv) share of loss of associated company; (v) provision made for settlement of Tessera and reversal of amount unused; (vi) legal and professional fees which relate to corporate activities; and (vii) other one-time expenditure, and gain, such as gain on extinguishment of borrowings, net of expenses and gain from sale of building.

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

because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. We 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. EBITDA and adjusted EBITDA are not measures of financial performance or liquidity under SFRS or U.S. GAAP and should not be considered as alternatives to total profit, operating profit or any other performance measures derived in accordance with SFRS or U.S. GAAP or as an alternative to cash flow from operating activities as a measure of liquidity.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Sales. Our sales decreased 7.5% to $679.1 million in 2015 from $734.1 million in 2014. This decrease in sales primarily as a result of reduced sales volumes across our product categories and weak end-market demand.

Cost of sales. Cost of sales decreased 6.9% to $569.7 million in 2015 from $612.2 million in 2014 principally due to a decrease in materials costs as a result of lower assembly services sales, lower depreciation expenses as assets became fully depreciated, lower variable costs in line with lower sales and the effect of our cost reductions measures implemented in 2015.

Our cost of sales as a percentage of sales increased to 83.9% in 2015 compared to 83.4% in 2014 primarily because our fixed costs such as indirect labor and costs associated with our facilities were spread over lower sales.

Gross profit. Gross profit decreased 10.3% to $109.3 million in 2015 from $121.9 million in 2014. Gross profit as a percentage of sales, or gross profit margin, was 16.1% in 2015 compared to 16.6% in 2014. The decrease in our gross profit and gross profit margin was primarily due to lower sales in 2015 as compared to 2014, which was partially offset by lower depreciation expenses.

Other income. Other income decreased to $5.1 million in 2015 compared to $8.9 million in 2014. This decrease was primarily attributable to a decrease in interest income, sales of scrap and service tooling in 2015 compared to 2014.

Other gain/(losses) – net. Our other losses – net in 2015 were $1.9 million compared to other gains – net of $35.2 million in 2014 primarily due to one-time gains in 2014 of $28.6 million on disposal of one of our facilities in Singapore and $7.1 million on disposal of memory equipment.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 9.5% to $71.6 million in 2015 from $65.4 million in 2014 principally due to increases in legal and professional expenses and costs associated with corporate actions. For these reasons, selling, general and administrative expenses as a percentage of sales increased to 10.5% in 2015 compared to 8.9% in 2014.

Research and development expenses. Research and development expenses decreased 17.1% to $9.2 million in 2015 from $11.1 million in 2014 due to lower non-recurring engineering costs.

Finance expenses. Finance expenses remained flat from $121.9 million in 2015 from $120.7 million in 2014.

Other expenses. Other expenses decreased 21.4% to $9.2 million in 2015 from $11.7 million in 2014 primarily due to lower impairment of obsolete equipment of $3.5 million in 2015 compared to $6.3 million in 2014.

Loss before tax. Our loss before tax was $99.4 million in 2015 compared to $42.9 million in 2014.

Income tax expense. Our income tax expense was $18.1 million in 2015 compared to $12.8 million in 2014. The increase was primarily the result of capital gains tax on patent transfers from Thailand and Taiwan entities to UHQ in 2015 and additional tax provision for our subsidiary in China.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Sales. Our sales decreased 1.9% to $734.1 million in 2014 from $748.4 million in 2013. This decrease in sales primarily resulted from the decrease in sales from our memory product category as Nanya, which is one of our key memory customers, changed its strategy and insourced more of its assembly and test requirements, which was partially mitigated by the increase in sales for our analog product category. Sandisk and Formosa Advanced Technologies Co., Ltd, or FATC, have become two key customers of our memory business.

Our sales increased 9.6% to $388.7 million in the second half of 2014 compared to $354.6 million in the second half of 2013 primarily due to increased orders from our existing customers and experienced a recovery in demand for our services driven by analog products and wafer level chip scale packages.

Cost of sales. Cost of sales decreased 5.9% to $612.2 million in 2014 from $650.7 million in 2013 principally due to lower depreciation, and our cost reduction initiatives described under "– Key Components of Our Statement of Comprehensive Income – Cost of Sales."

For these reasons, our cost of sales as a percentage of sales decreased to 83.4% in 2014 compared to 86.9% in 2013.

Gross profit. Gross profit increased 24.8% to $121.9 million in 2014 from $97.7 million in 2013. Gross profit as a percentage of sales, or gross profit margin, was 16.6% in 2014 compared to 13.1% in 2013 primarily due to cost savings realized from our cost reduction initiatives and lower depreciation expense.

Other income. Other income increased 15.6% in 2014 to $8.9 million compared to $7.7 million in 2013. This increase was primarily attributable to an increase in interest income, sales of scrap and service tooling in 2014 compared to 2013.

Other gains – net. Other gains-net in 2014 increased to $35.2 million compared to $29.6 million in 2013 primarily due to the $28.6 million gain on disposal of one of our facilities in Singapore and $7.1 million gain on disposal of our memory equipment. Other gains-net in 2013 included $21.1 million in connection with a one-time gain due to the extinguishment of our previous second priority term loans.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 13.3% to $65.4 million in 2014 from $57.7 million in 2013 principally due to higher legal expenses and higher indirect labor cost due to variable staff compensation and new hires in our sales and marketing departments. For these reasons, selling, general and administrative expenses as a percentage of sales increased to 8.9% in 2014 compared to 7.7% in 2013.

Research and development expenses. Research and development expenses decreased 9.8% to $11.1 million in 2014 from $12.3 million in 2013.

Finance expenses. Finance expenses was $120.7 million in 2014 and 2013.

Other expenses. Other expenses decreased 28.7% to $11.7 million in 2014 from $16.4 million in 2013 primarily due to lower severance expenses incurred in 2014 in connection with the reduction of headcount at UTC as part of our cost reduction initiative, which was partially offset by an impairment of $6.3 million for obsolete equipment in 2014.

Loss before tax. Our loss before tax was $42.9 million in 2014 compared to loss before tax of $76.5 million in 2013.

Income tax expense. Our income tax expense was $12.8 million in 2014 compared to $2.5 million in 2013 primarily due to increased profits at UTL and the capital gains tax on the equipment sales by UTC in 2014.

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 December 31, 2015, our primary sources of liquidity included cash and cash equivalents of $183.9 million and Global A&T Electronics' undrawn credit facilities under the senior revolving credit facility of $125.0 million, other undrawn facilities of $10.6

million and unutilized bank guarantee facilities of $0.3 million. As of the date of this annual report, the senior revolving credit facility remains undrawn.

We believe that after taking into account the expected cash to be provided by 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 other cash requirements, for at least the next 12 months. Our ability to continue to fund these items may be affected by general economic, competitive, and other factors, many of which are outside of our control. If our future cash flows from operations and other capital resources are insufficient to fund our liquidity needs, we may be forced to reduce or delay our capital expenditures, sell assets, obtain additional debt or equity capital, or refinance all or a portion of our debt.

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

	Year ended December 31,		
	2013	2014	2015
		($ in millions)	
Net cash provided by operating activities	184.1	190.4	143.8
Net cash used in investing activities	(33.6)	(58.0)	(85.0)
Net cash used in financing activities	(133.9)	(109.0)	(116.2)
Net increase/(decrease) in cash and cash equivalents	16.6	23.4	(57.4)
Cash and cash equivalents at beginning of financial year	201.2	217.8	241.3
Cash and cash equivalents at end of financial year	217.8	241.3	183.9

Cash Flows from Operating Activities

We generated $143.8 million in net cash from our operating activities for the year ended December 31, 2015, a decrease from $190.4 million for the year ended December 31, 2014. Our cash flows from operating activities are calculated by adjusting our loss after tax of $117.5 million by (i) non-cash and other items, such as $118.8 million of depreciation of property, plant and equipment, $121.9 million in finance expense, $0.5 million of gain on disposal of property, plant and equipment, $0.5 million on gain on disposal of non-current assets held for sale, $15.8 million of amortization of intangible assets, $18.1 million in income tax expense and $3.5 million of impairment of property, plant and equipment, $1.2 million of impairment of non-current assets held for sale, and (ii) changes in working capital described below.

Working capital sources of cash in 2015 included primarily a $0.5 million increase in cash from our trade and other payables, $1.8 million increase in other assets and $2.0 million increase in inventories, which was offset by the working capital use of cash of $6.6 million in trade and other receivables. In 2015, we made cash payments of $15.3 million in respect of income tax expenses.

We generated $190.4 million in net cash from our operating activities for the year ended December 31, 2014, an increase from $184.1 million for the year ended December 31, 2013. Our cash flows generated from operating activities are calculated by adjusting our loss after tax of $55.7 million by (i) non-cash and other items, such as $132.6 million of depreciation of property, plant and equipment, $120.7 million in finance expense, $37.8 million of gain on disposal of property, plant and equipment, $16.0 million of amortization of intangible assets, $12.8 million in income tax expense and $6.3 million of impairment of property, plant and equipment, and (ii) changes in working capital described below.

Working capital sources of cash in 2014 included primarily a $12.7 million increase in cash from our trade and other payables and $6.0 million increase in other assets, which was offset by the working capital use of cash of $7.5 million in inventories and $4.6 million in trade and other receivables. In 2014, we made cash payments of $10.1 million in respect of income tax expenses.

We generated $184.1 million in net cash from our operating activities for the year ended December 31, 2013, a decrease from $219.8 million for the year ended December 31, 2012. Our cash flows generated by operating activities for the year ended December 31, 2013 is calculated by adjusting our loss after tax of $78.9 million by (i) non-cash and other items such as $151.7 million of depreciation of property, plant and equipment, $120.7 million in finance expense, $21.1 million of gain on extinguishment of our previous second priority term loans upon the issuance of our $502.3 million in aggregate principal amount of senior secured notes in September 2013, \$16.4 million of amortization of intangible assets and \$2.5 million in income tax expense, and (ii) changes in working capital described below.

Working capital sources of cash in 2013 included primarily a \$31.6 million increase in cash from our trade and other receivables and \$10.0 million from inventories, which was offset by the working capital use of cash of \$27.1 million in trade and other payables. Our trade and other receivables and inventories decreased in 2013 compared to 2012 due to lower sales. Our trade and other payables increased in 2013 compared to 2012 due to the higher accrued interest payable on our senior secured notes which were issued to refinance the previous senior term loan that we obtained in connection with our acquisition of USG. This increase was partially offset by decreases in trade payables to non-related parties and accruals for operating expenses due to lower sales. In 2013, we made cash payments of \$16.8 million in respect of income tax expenses.

Cash Flows from Investing Activities

The primary uses of cash in our investing activities for the years ended December 31, 2013, 2014 and 2015 primarily related to our purchases and disposals of property, plant and equipment in connection with our operations.

Net cash used in investing activities was \$85.0 million during the year ended December 31, 2015. Cash flows from investing activities consisted primarily of \$96.7 million used for the purchases of property, plant and equipment for our mixed-signal and logic assembly and test operations and \$4.5 million used for purchases of intangible assets, which was partially offset by proceeds of \$2.5 million from the disposal of certain of our plant and equipment under non-current assets held for sale and \$12.1 million from the repayment of a loan by UTAC Holdings.

Net cash used in investing activities was \$58.0 million during the year ended December 31, 2014. Cash flows from investing activities consisted primarily of \$120.2 million used for the purchases of property, plant and equipment for our mixed-signal and logic assembly and test operations and \$11.7 million extended to our immediate holding company, UTAC Holdings, which was partially offset by proceeds of \$72.0 million from the disposal of certain of our plant and equipment and one of our facilities in Singapore as part of our cost reduction initiatives.

Net cash used in investing activities was \$33.6 million during the year ended December 31, 2013. Cash flows from investing activities consisted primarily of \$50.3 million used for the purchases of property, plant and equipment for our expansion in our wafer level chip scale package and our mixed-signal and logic testing operations, and \$2.2 million to redeem the equity interest in our Chengdu subsidiary, which was partially offset by proceeds of \$18.1 million from the disposal of certain equipment and the facilities and property of our Chengdu subsidiary.

Cash Flows from Financing Activities

The primary uses of cash in our financing activities for the years ended December 31, 2013, 2014 and 2015 primarily relate to proceeds from the issuance of our senior secured notes and payment of financing fees related to such notes repayment of, and interest payments on, our borrowings.

Net cash used in financing activities was \$116.2 million during the year ended December 31, 2015. Cash flows from financing activities principally consists of interest payment of \$115.0 million and dividends of \$0.7 million paid to non-controlling interests.

Net cash used in financing activities was \$109.0 million during the year ended December 31, 2014. Cash flows from financing activities principally consists of interest payment of \$106.6 million and dividends of \$2.0 million paid to non-controlling interests.

Net cash used in financing activities was \$133.9 million during the year ended December 31, 2013. Cash flows from financing activities principally included \$607.5 million from proceeds of the issuance of our senior secured notes in February 2013 which was used to repay the previous senior term loan that we obtained in connection with our acquisition of USG, \$32.0 million in payment of financing fees in connection with the issuance of our senior secured notes, and \$70.6 million in interest payment on our senior secured notes.

Capital Expenditures

Capital expenditures represent purchases of property, plant and equipment and intangible assets, including, among other things, testers and wire bonders in any given period, software development, excluding those we acquired through a business combination.

The expansion of our capacity through our capital expenditures from 2013 to 2015 allowed us to obtain new equipment and/or upgrade our existing equipment.

Our cash capital expenditure was \$50.3 million, \$120.2 million and \$101.2 million in 2013, 2014 and 2015, respectively. Our capital expenditure related mainly to our mixed-signal and logic assembly and test equipment (including wafer level chip scale package assembly equipment). In 2014, assembly and test equipment, and infrastructure and information technology accounted for 24.5%, 65.5% and 10.0% of our total capital expenditure, respectively.

We reduced our capital expenditure in 2015 compared to 2014 as we rationalized our capital expenditure as a result of our lower sales in that year. We increased our cash capital expenditure in 2014 from 2013 as we expected to achieve an increase in sales (and after taking into account the lead time required for our suppliers to deliver equipment to us).

As of December 31, 2015, we have committed to acquire approximately \$50.4 million of assembly and test equipment, of which approximately \$32.3 million of equipment has been delivered. Subject to market conditions and our financial performance for 2016, we currently expect our cash capital expenditure for 2016 to be of similar value with our capital expenditures in 2015. We expect that approximately 60% of our cash capital expenditure for 2016 will be related to purchase commitments from 2015 and the remainder will be for investments in capabilities for new business and products. We plan our capital expenditure based on expected sales and seek to invest only when we believe there are opportunities to generate certain expected returns on investment.

We expect to fund our budgeted capital expenditure through existing cash and cash generated from operations. We periodically review our budgeted capital expenditure during the year. We may adjust our capital expenditures based on market conditions, the progress of our expansion plans and cash flow from operations.

Turnover Days/Credit Policy

The following table shows the turnover days for inventory, trade receivable and trade payable for the years ended December 31, 2013, 2014 and 2015.

	Year ended December 31,		
	2013	**2014**	**2015**
Inventory turnover days(1)	68	75	86
Trade receivable turnover days(2)	56	50	58
Trade payable turnover days(3)	76	67	94
Trade payable turnover days ,excluding acquisition of property, plant and equipment(4)	69	61	83

Notes:

(1) Inventory turnover days are calculated using the following formula: average of the beginning and ending inventory balance of the financial year multiplied by 365 days divided by costs of inventories, which consists of direct materials, indirect materials and work-in-progress changes recognized as expense.

(2) Trade receivable turnover days are calculated using the following formula: average of the beginning and ending trade receivable balance of the financial year multiplied by 365 days divided by sales.

(3) Trade payable turnover days are calculated using the following formula: average of the beginning and ending trade payable balance and related accruals balance of the financial year multiplied by 365 days divided by total purchases arising from the acquisition of property, plant and equipment, incurrence of cost of sales, selling, general and administrative expenses and research and development expenses, excluding labor cost, depreciation and amortization expenses, movement in inventory and employee compensation expenses.

(4) Trade payable turnover days, excluding acquisition of property, plant and equipment are calculated using the following formula: average of the beginning and ending trade payable balance and related accruals balance of the financial year excluding acquisition of property, plant and equipment, multiplied by 365 days divided by total purchases incurrence of cost of sales, selling, general and administrative expenses and research and development expenses, excluding labor cost, depreciation and amortization expenses, movement in inventory and employee compensation expenses.

We continue to work on minimizing our inventory levels without compromising our commitments to our customers by managing orders on a back-to-back basis and using an enterprise resource planning software across our group to help us improve our visibility of inventory levels and inventory needs for production. In most cases, silicon die which are supplied to us by our customers on a consignment basis are not considered as part of our inventory.

Our inventory turnover days increased to 86 days in 2015 compared to 75 days in 2014 primarily due to reduced consumption of materials due to lower sales in 2015. Our inventory turnover days increased to 75 days in 2014 compared to 68 days in 2013 primarily due to a longer inventory period that we maintained at the request of our customers in 2014.

Generally, credit limits and terms are pre-approved and set for all customers. We generally grant credit terms of 30 to 60 days. Any credit terms above 60 days must be approved by our Chief Financial Officer. In deciding the credit limits for customers, the relevant sales team first performs a credit assessment on the customer and sets the relevant limits based on the sales projection and financial health of the customer. All outstanding debtor balances are reviewed and followed through for collection on a weekly basis.

Our trade receivable turnover days increased to 58 days in 2015 compared to 50 days in 2014 due to delays in payments by certain customers in 2015. Our trade receivable turnover days decreased to 50 days in 2014 compared to 56 in 2013 because of improved collections from customers in 2014.

Our trade payable turnover days increased to 94 days in 2015 compared to 67 days in 2014 because our cash flow management activities resulted in payments being made later in our suppliers' and vendors' permissible payment periods. Our trade payable turnover days decreased to 67 days in 2014 compared to 76 days in 2013, because of shortened payment cycles to our suppliers in 2014.

Total Borrowings

As of December 31, 2015, the total amount outstanding under our long-term and short-term borrowings, and finance leases, was $1,105.1 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 December 31, 2015	Total committed amount	Interest rate	Maturity
		($ in millions)			
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 December 31, 2015, without deducting unamortized loan facility and related issuance costs of $22.7 million.

(2) See "Description of Certain Indebtedness — Senior Revolving Credit Facility" for further details of these facilities.

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 Siam Commercial Bank Public Company Limited, which may be utilized for working capital purposes. As of December 31, 2015, this facility has not been utilized.

UTL also currently has bank guarantee facilities for an aggregate of up to 85.1 million Thai Baht with Siam Commercial Bank Public Company Limited and Krung Thai Bank Public Company Limited, which may be utilized for working capital purposes. As of December 31, 2015, guarantees of an aggregate amount of 74.1 million Thai Baht have been issued under these facilities.

UTC has a letter of credit facility of an amount of $7.0 million with Ta Chong Bank, which has an undrawn balance of $5.7 million as of December 31, 2015.

Contractual Obligations

The following table summarizes our contractual obligations, namely, our long-term debt obligations, finance lease obligations (generally two to five years plant and machinery leases with options to purchase at the end of the lease term), operating lease obligations (including lease payments for land and buildings, and plant and machinery), capital commitments (with respect to plant and machinery) and purchase obligations, as of December 31, 2015.

	Payments due by period				
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
			($ in millions)		
Long-term debt obligations[1]	1,526.3	161.9	227.8	1,136.7	-
Finance lease obligations..................	0.6	0.3	0.2	*	-
Operating lease obligations...............	28.0	6.2	9.1	10.7	2.1
Purchase obligations[2]	108.7	108.4	0.2	-	-
Total..	**1,663.6**	**276.8**	**237.4**	**1,147.3**	**2.1**

Notes:

(1) These amounts include the principal and interest payable under our senior secured notes. As of December 31, 2015, we had $1,127.3 million outstanding under our senior secured notes. As of December 31, 2015, our senior revolving credit facility remains undrawn.

(2) These amounts represents obligations under agreements (other than agreements relating to finance and operating leases) to purchase goods or services that are enforceable and legally binding on us, including outstanding payables for goods and services as of December 31, 2015.

* Denotes amount less than $1,000.

Sales of our subsidiaries (who are not guarantors of the senior secured notes) accounted for approximately $43.3 million, or 6.4%, of our total sales for the year ended December 31, 2015, assets accounted for approximately $84.4 million, or 5.6%, of our total assets, and liabilities accounted for approximately $25.7 million, or 1.9%, of our total liabilities, in each case as of December 31, 2015.

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, assets accounted for approximately $98.0 million, or 6.0%, of our total assets, and liabilities accounted for approximately $7.9 million, or 2.1%, of our total liabilities, in each case as of December 31, 2014.

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, 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.

Finance Leases

We have leased certain plant and equipment under finance leases. As of December 31, 2015, our total finance lease obligations were $0.6 million. Lease terms generally range from one to four years with options to purchase at the end of the lease term. Lease terms generally do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents. The liabilities under the leases are secured on the plant and equipment, which are the subject of the finance lease contracts.

Seasonality

Generally, we tend to experience higher sales in the third quarter when compared against our sales in the other quarters in each year, due to an increase in orders in the third quarter, in anticipation of higher consumer demand during the holiday season.

Off-balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements.

Contingent liabilities

We are subject to claims and litigation that arise in the normal course of business. We accrue liability associated with these claims and litigations when they are probable and reasonably estimated.

A complaint was filed in the Supreme Court of the State of New York, New York County, by certain purported holders of our senior secured notes, alleging certain claims in relation to the issuance of the $502.3 million in aggregate principal amount of senior secured notes on September 30, 2013. The plaintiffs allege that the September 30, 2013 exchange transaction caused an event of default under the indenture and seek monetary damages and other relief, including an injunction "unwinding" the September 30, 2013 transaction and/or "subordinating the liens" securing the senior secured notes issued on September 30, 2013 to the liens on those senior secured notes issued on February 7, 2013. On May 30, 2014, we filed a motion to dismiss the plaintiffs' complaint. On July 14, 2015, the court granted our motion and dismissed all the claims made against us by the plaintiffs. On July 21, 2015, certain plaintiffs filed a notice of intent to appeal the court's decision and, on September 8, 2015, those plaintiffs-appellants filed a brief and record in support of their appeal. We filed a brief in opposition on November 16, 2015, and the plaintiffs-appellants filed their reply on December 16, 2015. The appellate argument was initially noticed for the January 2016 appellate term in the Appellate Division of the Supreme Court of the State of New York, First Department and was heard during the April 2016 appellate term. The Appellate Division reserved decision. We are of the view that we have substantial defenses to these claims and will continue to vigorously defend the plaintiff's lawsuit. The case is ongoing.

A complaint was filed by Tessera 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 Tessera's claim, and 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 its patents that it contends cover UTC's products. Following completion of discovery, both parties submitted motions for summary judgment, which are pending. The court has scheduled trial to begin on August 30, 2016 and directed the parties to participate in a mandatory settlement conference with the magistrate judge by April 30, 2016. We will continue to vigorously defend our interests in this suit. The case is ongoing.

On April 4, 2014, Amkor filed a complaint against us and certain of our subsidiaries in the Superior Court of Arizona. The suit relates to patent licenses between Amkor and certain of our subsidiaries. We filed a motion to dismiss Amkor's complaint on August 12, 2014 and on January 5, 2015, the court dismissed seven out of the nine claims made by Amkor in the complaint. On February 13, 2015, Amkor filed an amended complaint in which it reasserted the two claims that were not dismissed and one of the claims that had been dismissed. Amkor's amended complaint also confirmed that it was not seeking to reassert the other dismissed claims, but had reserved the right to appeal the dismissal of those claims. The remaining three claims made by Amkor relate to the payment of royalties by certain 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 claim for breach of an implied covenant of good faith and fair dealing. On March 24, 2015, we filed a motion to dismiss the claims against UHK (formerly ASAT Limited) and an answer to the other claims. In addition, on July 28, 2015, we filed a motion for partial summary judgment against Amkor's royalty claim against one of our subsidiaries, UTL, on the basis that UTL ceased to be covered by the royalty-bearing license when it ceased to be a subsidiary of United Test and Assembly Center Limited in September 2010. On September 11, 2015, the court issued an order providing for limited discovery on the issues raised by defendants' motion for partial summary judgment. We will continue to vigorously defend our interests in this suit. The case is ongoing.

See "Business – Legal Proceedings" for additional details of these proceedings.

Derivative Financial Instruments

We are exposed to fluctuations in currency exchange rates, interest rates and commodity prices. We regularly monitor and evaluate our exposure to such fluctuations.

From time to time, we employ derivative instruments such as forward foreign currency swaps, foreign currency forward contracts, options and interest rate swaps to mitigate the financial risks associated with certain anticipated cash flows, assets and liabilities.

Based on our overall currency rate exposure, we may hedge against the Singapore Dollar, the Thai Bhat and the Chinese Renminbi by entering into currency forward contracts. We have adopted hedge accounting for any currency forward contracts that we enter into. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognized in other comprehensive income and presented in the hedging reserve. The amount recognized in other comprehensive income is transferred to profit or loss when the hedged forecast transactions are recognized. The fair value changes on the ineffective portion are recognized immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognized in the hedging reserve are reclassified to profit or loss immediately. We also manage our currency exposure typically by holding short-term assets, primarily cash and other receivables, in Singapore dollars, New Taiwan dollars, Thai Baht, Japanese Yen and Chinese Renminbi. In 2013, 2014 and 2015 we entered into foreign currency forward contracts to protect us from fluctuations in exchange rates. The duration of these instruments are generally less than 18 months. In 2013, 2014 and 2015, our foreign currency forward contracts qualify as cash flow hedges against highly probable forecasted transactions on foreign currency and the effective portion of these hedges are recognized in other comprehensive income. Changes in fair value of these foreign currency forward contracts are recognized in profit or loss. See "— Quantitative and Qualitative Disclosures about Market Risk — Foreign Exchange Risks" for further details on our exposure to currency risks.

From time to time, we employ other off-balance sheet derivative instruments such as foreign currency option contracts in addition to interest rate swaps and foreign currency forward contracts to manage our interest rate and foreign exchange exposure. These instruments would be used solely to reduce or eliminate the financial risks associated with our assets and liabilities and not for trading or speculation purposes. Our objective is to qualify for hedge accounting so as to effectively manage risk associated with fluctuations in interest rates and the value of the foreign currency, thereby making financial results more stable and predictable.

We may enter into gold forward contracts to hedge the gold price risk for part of our gold purchase volume. See "— Quantitative and Qualitative Disclosures about Market Risk — Commodity Price" for further details on our exposure to commodity prices.

The commencement of any hedging activities must be approved by our audit committee, and the specific structure, contracting pricing, tenor and notional amount of any hedging arrangement must be approved by our Chief Financial Officer.

Taxes

Singapore

We have been granted exemptions under the major exporter scheme, which is designed to improve cash flow of major exporters who have significant imports. Goods and services tax will be suspended at the point of importation. Commencing April 1, 2009, the Inland Revenue Authority of Singapore has integrated the import relief feature available under the major exporter scheme into the Approved Contract Manufacturer and Trader, or ACMT scheme. USG and UHQ have been awarded the ACMT scheme which is valid for three years beginning April 1, 2009 and May 1, 2015, respectively, and is subject to renewal and satisfying prescribed conditions. We have applied to the Inland Revenue Authority of Singapore for renewal of the ACMT scheme for USG and in the interim, the ACMT scheme continues to apply to USG.

Our subsidiary, UHQ, and UTAC Manufacturing Services Pte. Ltd., or UMS, a subsidiary of our immediate holding company, UTAC Holdings, have been awarded the Development and Expansion Incentive under the International Headquarters Award Scheme by the EDB. Under this scheme, UHQ and UMS enjoy a concessionary tax rate of 5% on the taxable income derived from qualifying activities for the initial period commencing from May 1, 2015 and June 2, 2014, for UHQ and UMS, respectively, subject to satisfying conditions prescribed in the Letter of Award from the EDB. In order to qualify for a first tranche of the incentive which is for a period from the applicable commencement date to June 1, 2018, UHQ and UMS are required to collectively incur an annual total business expenditure of at least S$280 million (of which at least S$208 million shall be incurred by UHQ and at least S$66 million shall be incurred by UMS) from the applicable commencement date through June 1, 2018 and they are required to collectively employ at least 164 skilled employees (of which at least 150 shall be in the employment of UHQ and at least 14 shall be in the employment of UMS) by December 31, 2017. These conditions must be maintained until end of this first tranche of the incentive period (i.e. June 1, 2018). Subsequently, in order to qualify for a second tranche of two years of the incentive which commences from June 2, 2018 to June 1, 2020, these subsidiaries are required to collectively incur an annual total business expenditure of at least S$310 million (of which at least S$210 million shall be incurred by UHQ and at least S$90 million shall be incurred by UMS) from June 2, 2018 through June 1, 2020 and they are required to collectively employ at least 176 skilled employees (of which at least 154 shall be in the employment of UHQ and at least 22 shall be in the employment of UMS) by December 31, 2019. These conditions must be maintained until end of this second tranche of the incentive period (i.e. June 1, 2020). On the basis that UTAC Holdings amalgamates UMS into UHQ on June 2, 2020, for UHQ to qualify for a third tranche of four years of the incentive, from June 2, 2020 to June 1, 2024, UHQ is required to incur an annual total business expenditure of at least S$330 million from June 2, 2020 through June 1, 2024 and employ at least 192 skilled employees by December 31, 2023. These conditions must be maintained until end of this third tranche of the incentive period (i.e. June 1, 2024). Any failing of the conditions above, UHQ (and UMS) will be subject to the prevailing corporate tax rate in Singapore of 17%. UHQ (and UMS) is obligated to inform the EDB of any changes in shareholders in the event that they are different from those indicated in the original application to the EDB.

Thailand

The general corporate income tax rate applicable to companies in Thailand is 20.0% for the accounting periods beginning on or after January 1, 2013.

In Thailand, UTL has been granted Investment Promotion Scheme incentive under the Board of Investment of Thailand, or BOI, and Bonded Warehouses scheme under the Customs Act. The Investment Promotion Scheme include an exemption from payment of (i) import duty on machinery approved by the BOI; (ii) income tax for operations including integrated circuits testing and wafer testing for period to 2029 with no limit of amount stated in the scheme; and (iii) import duty on essential indirect materials used in the manufacturing of export products up to 2015. As a BOI promoted company, UTL must comply with the conditions and restrictions set out in the investment promotion certificates issued by the BOI. If these conditions are not met, UTL will be subject to the prevailing corporate tax rate of 20%.

Materials stored in bonded warehouse are used in the process of producing, mixing or assembling before export out of the country. Under the Bonded Warehouses scheme, UTL are exempted from the payment of import taxes and duties (i) of the raw or essential direct materials imported, and (ii) from 2015 onward import of indirect material. However materials must export within a two year period after the importation, otherwise those materials shall be subject to taxes and duties. Similarly, the imported materials shall be subject to taxes and duties if they are removed from the bonded warehouse for domestic consumption.

For the years ended December 31, 2013, 2014 and 2015, 39.7%, 37.0% and 38.0%, respectively, of UTL's taxable income was eligible for such tax exemptions and UTL's taxable income that was ineligible for such tax exemptions was subject to the general corporate income tax rate of 20.0% in 2013, 2014 and 2015.

Taiwan

The general corporate tax rate applicable to us in Taiwan is 17.0%, effective from January 1, 2010. However, our Taiwan subsidiary, UTC, is entitled to certain tax benefits under the Statute for Industrial Innovation on research and development expenses. The Statute for Industrial Innovation revised research and development tax incentives and allows UTC to claim a credit for 15% of its research and development expenditures to offset up to 30% of its income tax in the current year. The tax credits cannot be carried forward and any unused tax credits will be forfeited. This tax incentive is available for the 10-year period from January 1, 2010 until December 31, 2019.

Since the Income Basic Tax Act was amended in 2012, most of the tax incentives UTC enjoys have been reduced to the extent of the alternative minimum income tax, which is 12.0% of the amount otherwise exempted from business income tax. In determining the income tax payable by a profit-seeking enterprise under Taiwan law, the regular income tax, that is, the traditional income tax payable under the Income Tax Act (after subtraction of investment tax credits), is compared to the Basic Tax calculated under the new law. The Basic Tax is calculated by deducting NT$0.5 million from the Basic Income (which is taxable income plus tax-exempt income), and multiplying the difference by a tax rate of 12.0%, which is adjustable to 15.0% depending on economic conditions.

For the years ended December 31, 2013, 2014 and 2015, UTC was subject to an additional 10.0% tax on undistributable earnings. Under the Basic Income Tax Act, we may defer the benefit from applicable investment tax credits for UTC.

China

China's Enterprise Income Tax Law, or the EIT Law, and the Implementation Rules to the PRC EIT Law, or the Implementation Rules, which both became effective on January 1, 2008, imposes a unified income tax rate of 25.0% on all domestic enterprises, including foreign-invested enterprises unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. Under the EIT Law, enterprises that were established before March 16, 2007 and already enjoyed preferential tax treatments will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008; during the five-year period, the tax rate will gradually increase from 15% to 25%, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term.

Under the PRC tax laws effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises were exempt from PRC withholding tax. Pursuant to the EIT Law and the Implementation Rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

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.

Foreign Exchange Risks

The majority of our costs are denominated in U.S. dollars. However, we are exposed to currency risk which arises primarily due to our localized operating costs and certain trade payables which are denominated in foreign currencies such as Singapore dollars, New Taiwan dollars, Thai Baht, Japanese Yen and Chinese

Renminbi. Because our receivables are denominated in U.S. dollars, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect our cost of goods sold and operating margins and could result in exchange losses. We cannot fully predict the impact of future exchange rate fluctuations on our profitability. See "— Derivative Financial Instruments" for details of our hedging policies.

Based on our overall currency rate exposures as of December 31, 2015, including the derivative financial instruments intended to hedge non-functional currency-denominated cash flows, a near-term 3% appreciation or depreciation of the U.S. dollar against any of the Singapore dollar, New Taiwan dollar, Thai Baht, Japanese Yen and Chinese Renminbi would not be expected to have a material effect on our financial position, results of operations and cash flows over the next financial year.

Cash Flow and Fair Value Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As we have not drawn on our senior revolving credit facility and do not intend to do so in the near future, and we do not have significant interest-bearing assets, our income is substantially independent of changes in market interest rates.

Commodity Price

We purchase certain materials in the normal course of business, which are affected by commodity prices. Therefore, we are exposed to some price volatility related to various market conditions outside our control. However, we manage such volatility by utilizing certain techniques including setting in advance the price for products to be delivered in the future. Except for gold forward contracts, we do not generally make use of financial instruments to hedge commodity prices, partly because of the contract pricing utilized. See also "— Factors Affecting Our Results of Operations —Material and Component Costs" for further details on our gold forward contracts and "— Derivative Financial Instruments" for details of our hedging policies.

We did not have any outstanding gold forward contracts as of December 31, 2015.

Limitations

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Exchange Controls

The ability of our subsidiaries to pay dividends or remit funds to us may be restricted by regulatory requirements (in particular, the restrictions in Thailand on Thai companies extending loans to non-Thai companies) and foreign exchange control policies in certain countries in which we operate. We seek to find the most efficient manner of remitting funds from our subsidiaries while taking into account, among other factors, regulatory approvals, tax payments and timeframe. We rely on banks in the countries that we operate to administer the submission of required documents and repatriate funds offshore to designated entities, which is dependent on obtaining necessary regulatory approvals and minimizing transaction costs. In Thailand, we are required to apply for a foreign business license from the Thai regulatory authority, the Board of Investment of Thailand, in order to allow our Thai subsidiaries to extend intercompany loans to our other non-Thai subsidiaries. There is no assurance that we would be able to obtain such regulatory approval for any intended loans. Any failure to obtain such approval would restrict our Thai subsidiaries from extending funds to our other subsidiaries for their cash flow requirements. Details of the key foreign exchange control restrictions in the jurisdictions where we operate are summarized below.

Singapore

As of the date of this annual report, no exchange control restrictions are in effect in Singapore.

Thailand

In Thailand, companies must comply with exchange control legislation relating to the repayment of loans or advances granted by foreign companies including repatriation of funds resulting from the enforcement of guarantees, pledges and mortgages. Transfers of funds in the form of cash dividends, loans or advances and debt payments resulting from enforcement of guarantees, pledges and mortgages by companies in Thailand are also subject to exchange control legislation and any cash dividends paid by a company must comply with income tax withholding rules stipulated by the Thai Revenue Code.

Thai foreign exchange controls are administered by the Bank of Thailand, or the BOT, on behalf of the Ministry of Finance, pursuant to the Exchange Control Act B.E. 2485 (1942), as amended. The BOT has granted commercial banks and certain other entities the authority to conduct foreign exchange transactions as its authorized agents. In 1998, the BOT restricted certain foreign-exchange-related transactions by domestic financial institutions with non-residents of Thailand to prevent speculation in the domestic currency market and maintain stability. These measures, among other things: (i) limit the value of foreign exchange transactions underlying trade or investment activities in Thailand to the actual value of the underlying trade or investment activity or 600 million Thai Baht or 10 million Thai Baht for various transactions without underlying trade or investment activities; and (ii) regulate direct loans granted to non-residents. Exceptions to these exchange controls may be granted from time to time at the BOT's discretion.

The inward remittance of money into Thailand for investment in securities does not require registration with the Thai exchange control authorities. The BOT issued the Notification of the Competent Officer on Rules and Practices Regarding Currency Exchange No. 15, as most recently amended in June 2013, or Notification 15, modifies the criteria for depositing foreign currency into foreign currency accounts. Notification 15 requires that any person (with certain exclusions) bringing foreign currency into Thailand to (i) sell the foreign currency to an authorized agent or (ii) deposit the foreign currency into a foreign currency account opened with a commercial bank in Thailand, within one year if the amount sold or deposited is at least of $50,000 or its equivalent.

The outward remittance from Thailand of dividends or sale proceeds (including a capital gains) from the transfer of shares after payment of the applicable Thai taxes, if any, may be made without restriction if the amount is less than $50,000 or the equivalent amount in relevant currency per remittance. Because the BOT has a policy not to allow any person to bring the Baht currency out of Thailand, dividends paid to a non-resident must be converted into foreign currency prior to outward remittance. If the amount is equal to or more than $50,000 or its equivalent in the relevant currency, a specified form must be submitted to an authorized agent of the BOT, together with documents or evidence related to the particular transaction (such as evidence of the disposal of shares).

The export of share certificates or other securities certificates from Thailand does not require prior approval by the BOT. The exporter may either dispatch the certificates by mail or carry them when travelling abroad.

On February 29, 2008, the BOT issued the Notification of the Competent Officer on Rules and Practices Regarding Currency Exchange No. 17, or Notification 17, which established the criteria for withdrawing and depositing Baht into (i) non-resident Baht accounts for securities (such as for investing in equity instruments, debt instruments and mutual fund units), or NRBSs, and (ii) non-resident Baht accounts for other purposes, including an investment in at least 10.0% or more of the total share capital of companies in Thailand.

Notification 17 provides that an NRBS may only be opened as a current or savings account and no interest may be paid on these accounts unless the account owner is a central bank of a foreign country, unless prior BOT approval is obtained, on a case-by-case basis. Deposits in an NRBS must be from one of the permitted sources as follows:

(a) conversion of a foreign currency remitted into Thailand or withdrawal from a non-resident's foreign currency account;

(b) transfer from another NRBS;

(c) repatriation of investments in securities or other financial instruments, returns of sale proceeds or dividends, and payments relating to such investments, including payments under derivative contracts traded on Thailand Futures Exchange or the Agricultural Futures Exchange of Thailand; or

(d) Baht loans from a domestic bank which has a foreign exchange license, or Resident Bank.

Withdrawals from an NRBS must be made for the following purposes:

(a) investments in securities or other type of financial instrument and payments related to such investments;

(b) transfers to another NRBS;

(c) payments related to a derivatives transaction;

(d) repayment of a loan to a Resident Bank; or

(e) purchase of foreign currency from a Resident Bank.

Due to the above restrictions, once Baht funds are deposited into an NRBS, the non-resident accountholder may not change the purpose of the deposit by transferring the Baht funds into a different type of account, unless BOT approval is obtained, on a case-by-case basis.

Further to Notification 17, the BOT also issued the Rules and Practices on the Measures to Prevent Thai Baht Speculation in February 2008 to establish rules and practices for domestic financial institutions undertaking transactions involving Baht with non-residents. Among the measures, a non-resident wishing to open an NRBS may only open a current or savings account, and the financial institution must monitor the outstanding balances of all NRBSs daily to ensure that the outstanding balances in such accounts do not exceed 300 million Thai Baht per non-resident. The balances of all NRBSs opened by a single non-resident with the financial institution in Thailand are combined for purposes of this accounting, unless an exception is granted by the BOT on a case-by-case basis.

Taiwan

In relation to Taiwan, a foreign investor making investment in a non-public company (such as UTC) is required to seek approval from the Investment Commission, Ministry of Economic Affairs of Taiwan for settlement in foreign exchange of the dividends or profits it receives from such company. Also, in the event that the said company reduces its capital for the purpose of returning capital to investors, approval from the Investment Commission is also required. In addition, a company is prohibited from paying dividends or bonuses unless all taxes have been paid, and its losses accumulated from previous years have been made up for and a legal reserve of 10.0% of its earnings has been set aside. If there are no profits earned, a company may not pay dividends or bonuses, except where its accumulated legal reserve exceeds 25.0% of its paid-in capital and, where it incurs no loss, the company may only pay dividends or bonuses out of the amount in excess of 25.0% of its paid-in capital. After having paid all taxes, when distributing its profits, a company must first set aside 10.0% of its profits as a legal reserve, unless such legal reserve amounts to the total authorized capital.

The Foreign Exchange Control Act of Taiwan and regulations issued thereunder provide that all foreign exchange transactions must be executed by banks designated by the Financial Supervisory Commission of the R.O.C. (Taiwan) and by the Central Bank of the Republic of China (Taiwan). Current regulations encourage trade-related foreign exchange transactions by permitting exporters of foreign merchandise to retain and freely use foreign exchange earned from exports. All foreign currency needed for the import of merchandise and services may be purchased freely from designated foreign exchange banks.

Apart from trade-related foreign exchange transactions, Taiwan companies may, without foreign exchange approval, remit to and from Taiwan foreign currency of up to $50 million (or its equivalent) in each calendar year. The above limit applies to remittance involving a conversion of New Taiwan dollars to a foreign currency and vice versa.

China

In China, payments under certain current account items, including profit distributions, interest payments and expenditures from trade-related transactions, may be made without the prior approval of the State Administration of Foreign Exchange by complying with certain procedural requirements. However, for most capital account items, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of bank loans denominated in foreign currency.

The distribution of dividends by wholly foreign-owned enterprises is regulated under the Company Law, the Wholly Foreign-Owned Enterprise Law and the Wholly Foreign-Owned Enterprise Law Implementation Regulations. Under these laws and regulations, wholly foreign-owned enterprises may only make dividend payments out of accumulated profits, if any, as determined using Chinese accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to leave at least 10% of its after-tax profits in its general reserves unless total cumulative reserves exceed 50% of registered capital. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of after tax profits to an employee welfare and bonus fund. These reserve funds, however, may not be distributed as cash dividends.

Hong Kong

As of the date of this annual report, no exchange control restrictions are in effect in Hong Kong. Under Hong Kong law, no dividends can be paid to shareholders except out of profits.

Recent Accounting Pronouncements under SFRS

Please refer to Note 35 of our annual audited consolidated financial statements for more information.

BUSINESS

Overview

We are a leading independent provider of assembly and test services for a broad range of semiconductor chips (also known as integrated circuits) with diversified end-uses, including in communications devices (such as smartphones, Bluetooth and WiFi), consumer devices, computing devices, automotive applications and industrial and medical applications.

We offer our customers a full range of semiconductor assembly and test services in the following key product categories: analog, mixed-signal and logic, and memory. We also integrate our service offerings to provide full turnkey solutions, including wafer probing, wafer processing, assembly, testing and the direct shipment of semiconductors to users designated by our customers. In addition, we also provide test development services.

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. In 2015, our top ten customers by revenue were Broadcom, Texas Instruments, Maxim Integrated, Taiwan Semiconductor Manufacturing Company, SanDisk, Microchip Technology, STMicroelectronics, FATC, Power Integrations and Airoha.

We are headquartered in Singapore, with production facilities located in Singapore, Thailand, Taiwan and China. In China, our facilities are located in Dongguan and Shanghai. In addition to our assembly and test facilities, we have a global sales network focused on four regions: United States, China and Taiwan, rest of Asia and Europe, with sales offices and employees located in each of these regions.

Our Chief Executive Officer, Dr. William John Nelson, joined us in October 2012. Following his arrival and the recruitment of many of the current members of our senior management team including Mr. Douglas J. Devine, our Chief Financial Officer, Mr. Asif R. Chowdhury, our Senior Vice President of Product Line and Marketing, Mr. Jeffrey R. Osmun, our Senior Vice President of Worldwide Sales, and Dr. Frank R. Myers, our Senior Vice President of Operations, we renewed our focus on operational and fiscal discipline, customers and growth in our business. Under our new management, we streamlined our operations through the centralization of our business management, sales, marketing, procurement, research and development and quality functions.

In 2015, we had sales of $679.1 million, a decrease of 7.5% compared to sales of $734.1 million in 2014. In 2015, 64.9% of our sales were from assembly services and 35.1% of our sales were from test services, and our analog, mixed-signal and logic, and memory product categories accounted for 40.5%, 47.3% and 12.2% of our sales, respectively. Our Adjusted EBITDA was $170.2 million in 2015, a decrease of 18.3% compared to Adjusted EBITDA of $208.2 million in 2014.

Our Strengths

We believe that the following competitive strengths differentiate us in the outsourced semiconductor assembly and test industry and contribute to our success in growing our sales, customer base, market share and profitability:

Advanced test capabilities enable full turnkey solutions

We are a leading provider of advanced semiconductor test capabilities. We focus on test services as they drive higher profitability than assembly services and assist us in securing customers for full turnkey services (where we provide both assembly and test services).

Test services are characterized by a high degree of engineering complexity and customization. Test services, especially test program and development, require extensive collaboration with customers. In many instances, customers grant us early and continued access to their proprietary testing technology that is needed to develop optimal and tailored test solutions for them. As a result, test services have stringent customer qualification processes which require significant resource commitments to complete. Deep process knowhow and experience is therefore important in order to maintain high utilization of testing platforms, and critical to preserve profitability. We believe that these factors result in high barriers to entry for new entrants to the test segment.

Our significant process knowhow accumulated over 19 years of engineering experience in the provision of test services has enabled us to secure and retain many of our key customers and we believe this knowhow positions us well to further grow our market share in the outsourced test services segment as well as to continue to grow our turnkey services.

Leadership in analog and mixed-signal semiconductors

We believe we are a leader in service and technology with respect to assembly and test services in analog, and mixed-signal and logic products, and this leadership differentiates us from our competitors and provides us with a platform for continued growth.

Analog. We are one of the world's leading outsourced semiconductor assembly and test providers in the analog product category. Our expertise is deep and broad. In particular, our Thailand plant, which focuses on the analog product category, has one of the largest outsourced semiconductor assembly and test operations in the country and was established over 40 years ago, and is able to profitably service high mix and low volume requirements of our analog customers.

We have strong expertise in applications utilizing quad flat no-lead, or QFN, packages, a type of packaging used more frequently for analog integrated circuits. QFN packages comprise more than a quarter of our total sales. We believe that growth in the integrated circuit analog market is expected to be primarily driven by proliferation of the Internet of Things or connected devices, which includes a wide variety of consumer devices, automotive applications, medical devices, smartphones and others. Additionally, QFN packages are particularly well suited for smartphones and tablets given their thinner form factors. Our broad portfolio of analog packaging technologies and extensive manufacturing know how positions us well to capitalize on anticipated growth in analog integrated circuits.

Mixed-Signal and Logic. We provide services to some of the leading companies in the mixed-signal and logic product category such as Broadcom, Taiwan Semiconductor Manufacturing Company, Dialog and STMicroelectronics We leverage on our deep expertise in analog integrated circuits, which typically require greater engineering and technical expertise compared to standard digital integrated circuits, to service our key mixed-signal customers. We also offer assembly and test solutions for a wide range of logic integrated circuits. In particular, we believe we are a leader in the provision of assembly and test solutions for mixed-signal integrated circuits with unique power management requirements and lead-frame based QFN packages with integrated flip chip die.

Long-standing and well-established partnerships with leading industry players

We believe that our strength in assembly and test capabilities, has enabled us to develop long-standing and symbiotic relationships with the majority of our customers, many of whom are leaders in their respective product categories in the semiconductor market. Our key customers include Broadcom, Maxim Integrated, Microchip Technology, Power Integrations, SanDisk, STMicroelectronics, Taiwan Semiconductor Manufacturing Company and Texas Instruments.

The average age of our relationships with our top ten customers by sales, is currently over ten years. We believe the depth of our relationships allows us to grow market share with our existing customers, which in turn results in customer loyalty and retention.

Streamlined cost structure and investment discipline for capital expenditure

We have a broad and geographically diversified operational footprint, strategically located across Singapore, Thailand, Taiwan and China. This enables us to provide our products and services at a competitive cost to our customers. In addition, we continuously seek operational efficiencies in our cost structure and are focused on increasing the volume of products we service to improve our utilization rates with a view to maintaining our margins even in periods of declining revenues. We have a highly disciplined and conservative capital expenditure policy. We plan our capital expenditure based on expected sales and seek to invest only when we believe there are opportunities to generate certain expected returns on investment. We believe these factors position us well to achieve strong financial performance.

Proven track record in strategic acquisitions and integration

We have in the past successfully executed and integrated several strategic acquisitions. Each acquisition has brought us unique strengths, capabilities, intellectual property portfolios and expanded our customer base.

Our earlier acquisitions of ASAT Limited in 2010 and NS Electronics Bangkok in 2006 strengthened our position and intellectual property portfolio in QFN packages, and we believe we now possess one of the strongest QFN intellectual property portfolios in the industry. We believe our proven track record in identifying, acquiring and integrating attractive targets will serve us well when we consider opportunities for further inorganic growth in our industry which continues to witness consolidation.

Track record of stable margins and strong cash flow generation

We believe our diversified product portfolio and our strong cost control capabilities have enabled us to maintain healthy margins. Our adjusted EBITDA margin from 2013 to 2015, a period which experienced market fluctuations, compares favorably to other leading outsourced assembly and test players. Our adjusted EBITDA margin was 27.1%, 28.4% and 25.1% for 2013, 2014 and 2015, respectively. A combination of resilient EBITDA margins, and high discipline and flexibility in capital investments has allowed us to generate stable cash flows.

Experienced management team

We have an experienced senior management team. In particular, we have significantly strengthened our senior management team with the recent recruitment of certain key managers, as detailed below, in addition to a number of other senior professionals, each of whom have over 20 years of experience in the semiconductor industry gained at companies such as ON Semiconductor, Nvidia, Intel, Amkor and STATS ChipPAC. Since our recent senior management hires, whom we briefly describe below, we have streamlined our operations through the coordination and centralization of our marketing, sales, research and development and procurement activities, and we have also implemented consistent quality standards across all our manufacturing plants. Our recent operational and financial performance demonstrates the capabilities of our current management. In particular, in the last 12 months, we have attracted several high quality new customers including Analog Devices, Atmel, Cypress, Fairchild Semiconductor and NXP Semiconductors, which positions us well for our future growth.

- Dr. William John Nelson, our Group President and Chief Executive Officer, joined us in October 2012 with over 30 years of industry experience. Dr. Nelson was previously the chief operating officer of ON Semiconductor.

- Mr. Douglas J. Devine, our Chief Financial Officer, joined us in January 2014 with over 20 years of industry experience. Mr. Devine was previously with Nvidia and Intel.

- Mr. Asif R. Chowdhury, our Senior Vice President of Product Line and Marketing, joined us in March 2014, with over 20 years of industry experience. Mr. Chowdhury was previously with Amkor.

- Mr. Jeffrey R. Osmun, our Senior Vice President of Worldwide Sales, joined us in January 2013, with over 25 years of industry experience. Mr. Osmun was previously the executive vice president of worldwide sales and marketing for STATS ChipPAC.

- Dr. Frank R. Myers, our Senior Vice President of Operations, joined us in March 2013, with over 25 years of experience in the semiconductor and bioscience industries. Mr. Myers was previously with ON Semiconductor.

Our Strategy

Continue to strengthen relationships and further grow our share of business with existing customers

Our new management team has been highly focused on and has been successful in strengthening our existing relationships and increasing our share of wallet with our key customers.

We intend to maintain and further improve our strategic relationships with these key customers by continuing to offer high-quality customer services on competitive terms with a strong focus on increasing the volume of products we service which will lead to an improvement in the utilization of our existing facilities. We believe we are well positioned to leverage on our core areas of expertise in analog and advanced assembly and test, as well as turnkey solutions to benefit from incremental business opportunities and grow our business with our key existing customers. Our decision to invest into these new areas of growth particularly in mixed-signal and logic testing and our analog capability will be underpinned by our continued disciplined approach towards investment returns and shareholder value.

Seek new customer relationships within high growth end-markets

We intend to leverage on our expertise and long track record in assembly, test and turnkey solutions to complement our growth with existing customers by developing new, mutually dependent strategic relationships with global semiconductor players that are currently not our customers.

We have attracted several high quality new customers since 2014 including Analog Devices, Atmel, Cypress, Fairchild Semiconductor and NXP Semiconductors, which positions us well for our future growth. We believe that our success was a result of our streamlining of operations, which has fostered a more customer-focused culture and consistent pricing strategy. We are confident that leveraging these attributes can be instrumental in assisting us to win additional customers.

We intend to target global semiconductor players that focus on the fast-growing Internet of Things market, which includes wearable devices, security, automotive and mobile communications products. We believe we are a leader in the analog space and in particular in the fast growing QFN packaging segment and that this leadership positions us well to capitalize on the demand for new analog integrated circuits across end-markets, which is expected to be driven by the growth in the Internet of Things.

We also intend to continue to invest in wafer level chip scale packages that are used in portable electronic devices such as smartphones, tablets, wearable health or fitness trackers, and other Internet connectivity devices. Another area of focus for us is micro-electronic machine, or MEMS, devices. Only a small proportion of our sales is currently derived from MEMS devices, but we intend to leverage our strength in QFN packages and leadership in test to increase our market share in MEMS devices, with both our existing and new customers.

Capitalize on opportunities to grow through selective acquisitions

We believe that market conditions favor consolidation in the outsourced semiconductor assembly and test industry as well as an increase in outsourcing. We have a strong track record of successfully executing and integrating our acquisitions and we intend to continue to pursue selective acquisition opportunities. Among the factors we consider when screening possible acquisition targets or alliances are access to customers, technology and/or capacity at a lower cost than we are able to achieve on our own.

Maintain discipline on capital expenditure and prudent cost management

We intend to continue to exercise capital discipline and make prudent investments in new equipment. We have centralized our capital expenditure program and asset management process across all our plants with a view to ensuring that our capital and assets are efficiently deployed and utilized. Our policy is that incremental capital expenditure must meet stringent pre-specified financial criteria such as expected payback period and profitability thresholds before being approved. We intend to continue to focus on test services and further build on our leadership position.

In addition, we are committed to enhancing our margins and profitability and have strategically re-aligned our operations to this effect. We plan to continue our cost reduction programs to drive increased cost savings and maintain our cost discipline. At the same time, we also focus on increasing the volume of products we service to increase utilization of our existing facilities, which will likely have a direct impact on profitability. We have also introduced certain programs and measures to standardize and improve equipment performance, corporate infrastructure and shared services.

Consistent cash flow generation by focusing on cost reduction and capital discipline

We intend to continue to put strong emphasis on generating robust cash flow by exercising capital discipline and making prudent capital investments. For example, our testing engineers have developed backfill techniques to adapt older testers for use in current applications, thereby extending their useful lives. We intend to continue to leverage our engineering know-how to improve the productivity of our testers and minimize capital expenditures. We work closely with our customers to align our investments in new testers with their product roadmaps.

Our History and Development

We started operations in 1997 as United Test Center Singapore Pte. Ltd. in Singapore, and in 1999, we acquired the memory semiconductor test assets and operations and the associated employees of Fujitsu Microelectronics Asia Pte. Ltd., a Singapore subsidiary of a leading Japanese integrated device manufacturer. We began offering memory test services in late 1998 and shortly thereafter extended our services to include turnkey assembly and test of DRAM.

In May 2000, we changed our name to “United Test and Assembly Center Ltd,” and converted to a public limited company.

In 2003, we established our operations in Shanghai, China through the incorporation of our subsidiary, USC.

In February 2004, USG completed its initial public offering in Singapore.

In March 2005, USG acquired UltraTera Corporation (now known as UTC), a company in Taiwan. UTC’s test business, being mostly focused on memory devices, increased our customer reach in Asia, particularly customers in Taiwan.

In June 2006, USG acquired NS Electronics Bangkok (now known as UTL), a company in Thailand, which added a strong analog assembly business and diversified our service offerings.

In October 2007, we were privatized when Global A&T Electronics, an entity controlled by our principal shareholders, Affinity Equity Partners and TPG Capital, acquired all of the issued shares of USG and its subsidiaries.

In February 2010, we acquired ASAT Limited (now known as UHK), and its subsidiary, ASAT Semiconductor (Dongguan) Limited (now known as UDG), with its semiconductor assembly and test operations in Dongguan, China, from ASAT Holdings Limited for a cash consideration of $44.3 million. This acquisition together with our earlier acquisition of NS Electronics Bangkok strengthened our position and intellectual property portfolio in QFN packages.

In 2013, we sold one of our facilities and certain equipment in Singapore and discontinued our operations in Chengdu, as part of our cost reduction exercise.

Our Products and Services

Our Products Categories and Services

We provide assembly and test services for a variety of integrated circuits. Integrated circuits form the core building blocks of electronic systems such as consumer electronics, wireless and wireline communications, computers, automotive electronics, industrial equipment and medical electronics. Integrated circuits perform a variety of functions such as managing power for electric devices, converting radio signals into electronic signals as well as storing and processing data.

The production of integrated circuits is a complex process that requires sophisticated engineering and manufacturing expertise. The process can be broadly divided into three primary stages: integrated circuit design, wafer fabrication, and assembly and test. Assembly and test involves wafer probe, assembly and final test which are either done in-house by the semiconductor companies or are outsourced to assembly and test service providers that have developed high levels of assembly and test expertise over the years.

We are one of the leading outsourced assembly and test service providers. We provide two services: assembly and test. Our customers outsource their assembly and test processes to us to improve their time-to-market, streamline their operations and reduce costs. We also integrate our service offerings to provide full turnkey solutions including wafer probe, wafer processing, assembly, testing and the direct shipment of semiconductors to users designated by our customers. The table below shows, for the periods indicated, the amount and percentage of our sales attributable to our assembly and test services:

	Year ended December 31,					
	2013		2014		2015	
Services	**Amount**	**Percentage of sales**	**Amount**	**Percentage of sales**	**Amount**	**Percentage of sales**
	($ in millions, except percentages)					
Assembly	501.5	67.0%	483.7	65.9%	440.7	64.9%
Test	246.9	33.0%	250.4	34.1%	238.4	35.1%
Total	**748.4**	**100.0%**	**734.1**	**100.0%**	**679.1**	**100.0%**

Our Product Categories

We provide assembly and test services for three key product categories, namely, analog, mixed-signal and logic, and memory.

Analog. Analog products are used in nearly all electronic devices. The output signal level of an analog integrated circuit is dependent on the extent of the power supply to the circuit and as such, analog integrated circuits can connect to and manipulate varying electrical signals. Analog integrated circuits are commonly used as audio-frequency and radio-frequency amplifiers.

Mixed-signal and Logic. Mixed-signal integrated circuits are chips that contain both digital and analog circuits on the same chip. Mixed-signal integrated circuits are often used to convert analog signals to digital signals so that digital devices can process them. For example, mixed-signal integrated circuits are essential components for frequency modulation tuners in digital products such as media players, which have digital amplifiers.

Logic integrated circuits operate at only a few defined levels or states, rather than over a continuous range of signal amplitudes. These devices are used in computers, computer networks, modems, and frequency counters.

Memory. Memory integrated circuits are used to store data and are used in most products that need to store information. We are focused equally on NAND flash and dynamic random access memory, or DRAM markets. NAND flash is primarily used in memory cards, USB flash drives, and solid-state drives for general storage and transfer of data. DRAM is the most common form of random access memory found in personal computers and workstations, as well as in mobile applications like smartphones and tablets.

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

	Year ended December 31,					
	2013		2014		2015	
Product category	**Amount**	**Percentage of sales**	**Amount**	**Percentage of sales**	**Amount**	**Percentage of sales**
	($ in millions, except percentages)					
Analog	283.7	37.9%	292.8	39.9%	275.0	40.5%
Mixed-signal and logic	349.5	46.7%	346.0	47.1%	321.0	47.3%
Memory	115.2	15.4%	95.3	13.0%	83.0	12.2%
Total	**748.4**	**100.0%**	**734.1**	**100.0%**	**679.1**	**100.0%**

Our Assembly Services

We offer customers assembly services for many of the semiconductors that we test. We currently provide assembly services for more than 1,000 types of integrated circuit packages. Our assembly services include design, modelling (thermal, mechanical and electrical), prototyping, material selection and procurement, reliability testing, volume production of specific packages and logistics services.

Lead-frame packages. A lead-frame is a small sheet of metal, generally made of copper on which a pattern of electrical connections (or "leads") has been cut. The leads are generally placed around the perimeter of the lead-frame and are used to connect the package to the system board.

Lead-frame packages are more cost effective than laminate-based packages, such as ball grid arrays. Due to their cost effectiveness, reliability and versatility, lead-frame packages continue to be deployed in almost every electronics application, including desktop and notebook PCs, communications equipment, consumer electronics devices, automobile electronics and household appliances. We are focused on quad-flat no-lead, or QFN, packages and advanced QFN packages such as grid array quad-flat no-lead, or GQFN. These packages are increasingly being used for analog chips in smartphones and tablets given their smaller package footprint.

In addition to QFN packages and advanced QFN packages, we also provide assembly services for lead-frame land grid array, or LLGA, and legacy lead-frame packages. A brief description of these packages is set out below.

- QFN packages have non-protruding metal leads along all four sides of their lead-frame and a small outline and thin profile.

- GQFN packages are advanced QFN packages that enables a greater number of leads or interconnect traces underneath the package. GQFN's ability in routing enables the use of a shorter wirelength thus improving electrical performance. We also offer side lead plated or wettable flank QFNs which have inspectable solder joint solutions which meets the automotive industry standards.

- LLGA packages have plated non-protruding terminals along all four sides of their lead-frame, allowing for a reduced package footprint. LLGAs have an exposed plated pad that allows for better heat dissipation, and good electrical performance with low to medium power devices.

- Legacy lead-frame packages include small outline integrated circuits, or SOICs, thin small outline packages, or TSOPs, QFPs, small outline packages, or SOPs and small outline transistors, or SOTs. These packages are considered to be relatively mature compared to other in lead-frame package technology.

Laminate packages. Laminate packages are made with a printed circuit laminate substrate rather than a lead-frame. The substrate comprises multiple layers of epoxy resin, woven glass fibers and metal conductors. Key benefits of laminate packages over lead-frame packages is the ability to accommodate a higher number of leads or pin count on smaller package sizes. System in packages, or SiPs, are most commonly used in laminate packages, but are also used in lead-frame packages.

Our laminate packages include plastic ball grid array, or PBGA, flip chip BGA, or fcBGA, stacked die chip scale package, or CSP, fine pitch ball grid array, or FBGA, SiPs and window chip scale package, or wCSP™. A brief description of these packages is set out below.

- PBGA packages serve the higher pin count applications within the laminate based array package family. In a PBGA package, the integrated circuit is connected to the circuitry in the substrate by a series of fine gold or copper wires that are bonded to the top of the substrate near the edge.

- fcBGA packages use flip chip technology to connect an integrated circuit to a substrate package carrier. fcBGA packages enables thermal and electrical performance improvements and enables a higher density of interconnections, which in turn allows for higher pin counts or smaller package footprint.

- CSPs are laminate based packages which uses arrays of small diameter solder balls to both increase lead density and decrease the overall package thickness.

- FBGA packages are part of laminate substrate-based CSPs, but typically larger than a BGA, but smaller than a CSP. Such packages also use an array of smaller diameter solder balls to both increase lead density and decrease in package thickness.

- SiP combines one or more semiconductor die together with passive circuit components including resistors, capacitors or inductors in a single package format or a module subsystem. SiP package formats can include other types of packages including QFN, FBGA, memory card, USB thumb drives and custom design packages. The assembly process technologies required include die attach, wirebond, flip chip attach, die stacking and surface mount.

- wCSP, or window CSP, is a laminate based package using a one or two layer substrate structure to support specific requirements of memory integrated circuits.

Wafer level packages. We also offer wafer level packages, where all of the assembly processing is in full semiconductor wafer form as follows. Wafer level chip scale packages, or WLCSP, are packages that are essentially the same size as the IC or semiconductor device. We possess advanced capabilities in wafer thinning, protective coating, saw and laser dicing, which are required for WLCSP assembly. A WLCSP can be directly attached to the circuit board and provides the shortest electrical path from the die pad to the circuit board which enhances electrical performance.

Other assembly services. As part of our service support, we also provide wafer backgrinding services whereby we use specialized equipment to thin individual wafers to a specified thickness, enabling their die to be stacked in stacked-die CSPs and SiPs or incorporated into especially low profile packages. In addition, we provide marking services, whereby we use lasers to inscribe information such as customers' names and logos and product part or serial numbers on each assembled device, as well as other specialized packing services and value-added logistics support, such as warehousing and drop shipment, or delivery of semiconductor devices to our customers' designated users. Our package development group interacts with customers early in the design process to recommend the best package options for their products.

Our Test Services

Semiconductor testing ensures that the performance and functionality of the integrated circuit conforms to the product specifications. Testing integrated circuits requires significant technical expertise and knowledge of the specific applications and functions of the integrated circuit. This requires test service providers to select the appropriate testing equipment and to design a suitable test process.

We offer two principal types of test services: wafer probe and final test.

Wafer probe. Wafer probe is sometimes also described as wafer sort or front-end test. Wafer probe refers to the test procedure carried out immediately prior to assembly. In this process, wafers are tested to determine whether the integrated circuits that have been fabricated on it are functioning according to specifications. Integrated circuits that fail to meet specifications are marked for disposal and yield data is compiled to aid our customers in future design and optimization of production processes. The compilation of the yield and performance data of the integrated circuit in the course of testing is an integral part of the testing process because not all tests on the integrated circuits are repeated at final test.

Final test. After the assembly process, final test is performed on the assembled integrated circuit to ensure that it meets the customer's requirements. Final test analyzes certain attributes of each integrated circuit against a range of key parameters predetermined by our customers to assess the functionality of the integrated circuit and conformity to specifications. The requirement to be efficient and cost effective in final test solutions is important as integrated circuits continue to increase in complexity and require increasingly complex testing. In order to improve our efficiency and cost effectiveness in final test, we work closely with our customers to optimize the test programmes to reduce test times and where possible using existing test equipment with key upgrades rather than investing in new equipment.

In the course of carrying out our wafer probe and final test services, we also offer the following value-added services to our customers:

Test program development services. Our engineers work closely with our customers' product test and design teams to understand their product functionalities and requirements, and develop test programs for them.

Our ability to provide innovative and effective test solutions is important as it improves our customers' product quality, time-to-market and costs.

Test program conversion services. Our customers utilize this service to migrate their products between test platforms in order to reduce their capital investments in non-strategic or aging test equipment. Our service enables our customers to utilize higher-capacity or less expensive test platforms than the platforms they were previously using, thereby increasing throughput, accelerating time-to-market and reducing total test costs.

Product/test optimization. We utilize our data collection programs to continuously assess the test results of our customers and recommend test solutions that can achieve more effective test coverage, lower redundancy, shorten test times, reduce costs, and streamline process flows. This forms part of our value added service to our customers.

Drop shipment services. We offer drop shipment services for shipment of semiconductors directly to users designated by our customers which eliminates the additional step of inspection by the customer before shipment to the user. We believe that our ability to successfully execute our full range of services, including drop shipment services, is an important factor in maintaining existing customers as well as attracting new customers.

Product Line and Marketing

As part of our recent efforts to streamline our operations, we have established a centralized product line and marketing department comprising three functions, namely, marketing, corporate pricing and product line unit management.

Our marketing team's key function is to provide insights into our key customers' respective strategies, strategic guidance based on market intelligence and competitive analysis.

Our corporate pricing team is responsible for establishing and providing pricing guidance to our sales team in order to ensure that growth is aligned with our overall strategy, thereby enhancing our competitiveness and improving our response times to customers' requests for quotes.

Our product line unit management team is responsible for all product and service lines. This team is responsible for growing revenue by working closely with sales, identifying growth opportunities and, cost reduction opportunities and providing guidance on capital expenditure.

Sales

Many of our customers whom we classify as operating in faster growing end-markets such as the communications, consumer, computing, automotive and industrial and medical end-markets are leading or emerging companies in their respective end-markets. We continue to focus our marketing efforts on these high growth end-markets.

Our sales efforts are focused on four regions, namely, the United States, China and Taiwan, rest of Asia and Europe. We support our customers through a network of sales offices and employees in these regions. Our sales offices and employees are typically located close to our customers to enhance our responsiveness.

Our sales teams regularly visit our customers and prospective customers to enhance customer awareness and familiarity with our assembly and test services. We emphasize our competitive edge in our advanced assembly technology, test solutions and our ability to offer turnkey solutions for a broad range of semiconductors.

We have dedicated teams of sales managers, account managers and technical program management staff to service our customers. Each of these teams focuses on specific customer accounts and geographic regions. Their main objective is to provide value-added solutions to our customers by helping them resolve their assembly and test needs in a timely fashion to improve the customers' competitive position in their respective product lines. Our sales teams also work closely with our customers to develop and manage new product introduction programs for their assembly and test needs and manage new product qualifications and increase in production.

Major Customers

We provide assembly and test services to a growing number of customers worldwide consisting primarily of fabless companies, integrated device manufacturers and wafer foundries. In 2015, we derived approximately 35.0% of our sales from integrated device manufacturers, 50.7% of our sales from fabless companies, and 14.3% of our sales from wafer foundries and others, respectively.

In 2015, our top ten customers by revenue were Broadcom, Texas Instruments, Maxim Integrated, Taiwan Semiconductor Manufacturing Company, SanDisk, Microchip Technology, STMicroelectronics, Formosa Advanced Technologies Co., Ltd, or FATC, Power Integrations and Airoha. In 2015 and 2014, our largest customers were Broadcom and Texas Instruments, each of which accounted for more than 10% of our sales. In 2013, our largest customer was Broadcom, which accounted for more than 10% of our sales. Broadcom was acquired by one of our other customers, Avago Technologies in February 2016. We expect Broadcom to remain one of our largest customers in 2016.

The table below shows for the periods indicated, the aggregate percentage of sales attributable to our top three, five and ten customers:

	Year ended December 31,		
	2013	2014	2015
Top three customers by sales as percentage of sales	31.7%	34.5%	31.6%
Top five customers by sales as percentage of sales	43.2%	47.0%	43.2%
Top ten customers by sales as percentage of sales	62.5%	65.6%	62.7%

Our customers are geographically diverse. We account for geographical distribution of our sales based on the countries in which our customers are headquartered. The variations in geographical distribution of sales can be primarily explained by the regions where clusters of semiconductor companies (including our customers) are situated. The table below sets forth the geographic distribution of our sales:

	Year ended December 31,					
	2013		2014		2015	
Geography	**Amount**	**Percentage of sales**	**Amount**	**Percentage of sales**	**Amount**	**Percentage of sales**
	($ in millions, except percentages)					
United States	475.9	63.6%	484.6	66.0%	422.9	62.3%
Japan	25.8	3.4%	25.1	3.4%	21.4	3.2%
Asia (excluding Japan)	171.8	23.0%	148.1	20.2%	157.7	23.2%
Europe	71.3	9.5%	72.8	9.9%	72.2	10.6%
Others	3.5	0.5%	3.5	0.5%	4.9	0.7%
Total	**748.4**	**100.0%**	**734.1**	**100.0%**	**679.1**	**100.0%**

Assembly and test service customers generally require that our facilities undergo a stringent qualification process prior to volume production or commencement of test services during which the customer evaluates our operations and production processes. The qualification process can take up to nine months or more. For test qualification, after we have been qualified by a customer and before the customer delivers wafers to us for testing in volume, a process known as "correlation" is undertaken. During the correlation process, the customer provides us with test criteria, information regarding process flow and sample semiconductors to be tested and either provides us with the test program or requests that we develop a new test conversion program. In some cases, the customer also provides us with a data log of results of any testing of the semiconductor that the customer may have conducted previously. The correlation process typically takes up to two weeks but can take longer depending on the requirements of the customer. Due to this time-consuming qualification process, we believe that semiconductor manufacturers are generally reluctant to switch semiconductor assembly and test companies once such companies have been qualified. However, due to the lengthy qualification process, we typically only realize any meaningful sales contributions from new customers approximately one to two years or longer from the time we commence the qualification process.

Customers typically qualify only a few assembly and test service providers to meet their outsourcing needs. We have long-standing business relationships with most of our customers. We have provided services to our top ten customers by sales for an average of ten years. We continue to expand our customer base and have been successfully qualified by new customers.

As is customary in the industry, we do not have long-term contracts with our customers and as a result, do not maintain an order book. While we have arrangements with certain customers pursuant to which we agree on the general terms and conditions upon which we are to provide services (for example, the frequency of the non-binding forecasts provided by our customers and the extent of capacity that we should commit based on such forecasts) typically for a term of up to two years, our customers are generally not obliged to purchase any minimum amount of our products or use any minimum level of our test or assembly services. Our customers typically issue purchase orders, which set out the agreed pricing and quantity for a particular quarter, to confirm their order for our services. We generally grant credit terms of 30 to 60 days to our customers.

As a result of our dedication to quality customer service, we have received recognition for our services from many of our customers over the last two years.

- Elmos Semiconductor — Best Supplier Award 2015
- MELFAS — Best Partnership Award 2015
- Analog Devices International — Outstanding Supplier Performance 2015
- Cypress Smiconductor — Achieving 'A' Rating (90%) in Cypress Supplier Total Achievement Rating System (STARS) 2015
- Fairchild Semiconductor — Supplier of the Quarter Award (1Q2015)
- Texas Instruments — Supplier Excellence Award (SEA) 2014
- Fairchild Semiconductor — Supplier of the Quarter Award (4Q2014)
- Cypress Semiconductor — Achieving 'A' Rating (90%) in Cypress Supplier Total Achievement Rating System (STARS) 2014
- Airoha — Supplier Excellence Award 2014
- Macronix International — Best Quality Award 2014

Suppliers

Materials and Components Suppliers

As our test operations generally do not require materials or components, substantially all of our material and component costs are incurred by our assembly operations. The principal materials used in our assembly business include gold and copper, and the components used in our assembly business include substrates, lead-frames, molding compound and epoxy. While we have non-binding negotiated agreements with certain customers, we generally do not enter into long-term supply commitments and purchase our materials on a short-term basis through the issuance of purchase orders at prevailing market prices. The prices of lead-frames, laminate substrates, gold wire, molding compound and epoxy may fluctuate. In particular, the average cost of gold per troy ounce for our operations has fluctuated significantly from an approximate average of $1,624 per troy ounce in 2013, to $1,242 per troy ounce in 2014, and to $1,227 per troy ounce in 2015. We have continued to implement measures to reduce our dependence on gold wires. In particular, we have developed copper wire bonding processes in line with the demand for copper wire bonders as a low cost, high performance manufacturing solution for fine-pitch and ultra-fine pitch bonding. Materials and components costs accounted for 28.6%, 27.0% and 26.1% of our cost of sales for 2013, 2014 and 2015, respectively. We expect materials and components costs to become an increasingly significant component of our cost structure as we continue to grow our assembly business.

We generally purchase materials and components based on regular weekly and monthly forecasts provided to us by our customers, and generally manage our inventory of materials and components through a combination of maintaining a 30-day inventory and on a "just-in-time" basis. Certain of our customers may also request that we maintain a buffer of materials and components to cater to any urgent increase in orders. Our customers are generally responsible for most or all of the costs of unique materials that we purchase but do not use, in particular lead-frames and substrates that we have ordered based on their forecasts.

We work closely with our primary materials and components suppliers to ensure the timely availability of supplies of materials and components, and we are not dependent on any one supplier for a substantial portion of our materials and components requirements. The materials and components we procure are generally available and we are able to meet our production requirements from multiple sources through qualifications of new materials suppliers and placement of written purchase orders. We also work closely with our suppliers to continually reduce our materials and components costs per unit. These efforts include combining the materials and components requirements of our group and procuring such materials and components through centrally negotiated agreements to gain economies of scale in procurement and better volume discounts, qualifying parts from a lower cost manufacturing location such as Thailand and China, sourcing for alternate lower cost materials and components, and using engineering efforts to reduce materials and components costs.

Although we entered into supply agreements with our key suppliers with a view to minimizing the impact of any shortage in supply by one or more of our suppliers, we do not have binding commitments and we acquire our equipment on a purchase order basis. Our major suppliers are located in China, Indonesia, Japan, Malaysia, South Korea, Taiwan and Thailand. We intend to maintain a varied source of suppliers to obtain competitive prices for materials and components that we use, and where possible, we attempt to source from suppliers in close proximity to our manufacturing facilities with a view to reducing freight cost and the time required for the delivery to our facilities. We have also a business continuity plan in place to minimize any disruption to our supply chain. The payment terms for our materials and components suppliers typically are between 60 days and 90 days.

In each of the years ended December 31, 2013, 2014 and 2015 , the following suppliers each contributed to more than 5.0% of our total materials and components purchases.

Supplier	Type of materials/ Component	Percentage
Year Ended December 31, 2013:		
— Tanaka Kikinzoku International K.K.	Bonding wire	14.0%
Year Ended December 31, 2014:		
— Tanaka Kikinzoku International K.K.	Bonding wire	7.9%
Year Ended December 31, 2015:		
— Tanaka Kikinzoku International K.K.	Bonding wire	8.5%

Equipment Suppliers

Our operations and expansion plans depend on us being able to obtain an adequate supply of assembly and test equipment on a timely basis. From time to time, we may occasionally have minimum loading arrangements with our customers for the testers that we procure at the customers' request, and such arrangements could result in the decrease of our equipment utilization rates. We work closely with our major equipment suppliers to ensure that our equipment meets our performance specifications and is delivered on time.

With the exception of a few key suppliers that provide reserved equipment delivery slots and with which we have favorable pricing terms, we have no long term binding supply agreements with any of our equipment suppliers. A reserved equipment delivery slot is one which allows us to obtain an accelerated delivery of the equipment over and above the delivery schedule previously committed by the supplier. We typically acquire assembly and test equipment by issuing purchase orders under negotiated agreements with a term of three years, and which contain six month notice of termination provisions. Increased levels of demand for the type of equipment required in our business may cause an increase in the price and lengthen delivery cycles. Typically, price discounts are offered for volume purchases. We seek to leverage our large volume of orders for testers, probers, handlers, wire bonders and other equipment with our equipment suppliers to secure favorable terms for our equipment purchases, including pricing and accelerated delivery times. The payment terms for our equipment suppliers typically are between 30 days and 180 days.

Competition

The global outsourced semiconductor assembly and test industry is dominated by a few large corporations and there are also many small niche players. We face substantial competition from companies with substantial manufacturing, financial and other resources that operate facilities primarily in Asia such as Amkor

Technology Inc., Advanced Semiconductor Engineering Inc., Jiangsu Changdian Technology Company Limited, Powertech, Inc. and Siliconware Precision Industries Co., Ltd.

We believe the primary elements of competition in the independent outsourced semiconductor assembly and test industry include technical and engineering competence, quality of service, production yields, cycle time, time-to-market, pricing, scope of assembly and test services and simplifying customers' supply chain logistics.

In addition, we also face competition from the internal assembly and test resources of many of our integrated device manufacturer customers. Integrated device manufacturers that use our services continuously evaluate our performance against their own in-house assembly and test capabilities, and may choose to scale back their outsourcing requirements from time to time.

Intellectual Property

Our operational success depends in part on our ability to acquire, develop and protect intellectual property, which principally relates to proprietary package design and processes. We seek to identify strategic intellectual property for our operations and focus on acquiring or developing such intellectual property that can enhance our capability. In particular, our acquisition of ASAT Limited (now known as UHK) in 2010 and NS Electronics Bangkok (now known as UTL) in 2006 strengthened our position and intellectual property portfolio in QFN packages, and our acquisition of UltraTera Corporation (now known as UTC) equipped us with a portfolio of patents in the memory product category.

As of December 31, 2015, we had 288 patents registered in our names, mainly in the United States, but also in China, Japan, Singapore, South Korea and Taiwan. As of December 31, 2015, we also had pending applications for 64 patents in China, Europe, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand and the United States. Where the patents are granted, we may seek to cross-license or share our intellectual property portfolio at a future time if it is advantageous for us to do so.

We have registered the trademarks UTAC™, the UTAC logo™, wCSP™ and GQFN™ in Singapore. Additionally, as of December 31, 2015, we have trademark registrations in a number of countries globally.

In the event where we determine that specific processes that we wish to use are protected by existing patents of other companies, we may enter into licensing arrangements. In addition, we execute confidentiality and non-disclosure agreements with our customers and limit access to, and distribution of, our proprietary information. We place high importance on both the technological skills and innovation of our personnel as well as our ability to develop and protect proprietary technologies.

Research and Development

Our research and development teams work closely with our customers to ensure that our assembly and test services meet their evolving needs and expectations.

Our test research and development team is located in Singapore and is focused on developing high speed and complex testing capabilities, software and processes to enhance testing accuracy and efficiency. We continuously seek to expand and update our knowledge of testers and test handling technologies through collaboration with our equipment suppliers and customers. From our test experience and understanding of the requirements of advanced semiconductor devices, we endeavor to develop test techniques that enable semiconductors to be tested more efficiently and cost effectively for our customers.

Our research and development strength is in the area of advanced leadless package such as our QFN and GQFN packages. We have developed a side lead plated QFN (or wettable flank QFN) solution which is an important component in the automotive industry. Our design, simulation and engineering teams actively participate in the early stages of the integrated circuit and package design process with our customers to determine and fulfill the requirements of their end-products. In particular, our simulation teams support our customers for their computer-based thermal, electrical and mechanical simulation for stand-alone semiconductor packages. Our simulation teams also simulate and predict the reliability and performance of semiconductor packages that are mounted on mother boards. In addition, we work closely with our equipment and material suppliers to develop advanced processing capabilities and materials for use in our assembly processes and also to assist in the assessment of the feasibility of manufacturing certain package designs contemplated by our customers.

Since 2005, we have developed processes for the assembly of several semiconductor package families such as WLCSP, wCSP™, dual row and multi row QFN such as GQFN and side lead plated QFN (or wettable flank QFN), stacked-die CSP, LLGA, SiP, various BGA packages including tape BGAs, fcBGAs packages that use solder and copper pillar bumps, and flip chip CSP.

We also pursue research and development opportunities with other members of the semiconductor industry. We have collaborated with certain of our fabless, integrated device manufacturers and wafer foundry customers to develop package solutions and will continue such partnerships in the future. We are also working with IMEC International on a 3D system integration project, which explores the impact of 3D technologies on advanced system design and the cost of ownership. We are also involved in developing 3D stacking process of 3D packages, which is an integrated circuit manufactured by stacking wafers or dies vertically so that they function as a single device to achieve performance improvements at reduced power. We have also initiated research and development activities with the Institute of Microelectronics, which is a research institute in Singapore, on next generation assembly technology, including 2.5D Through-Silicon–Interposers, which is a technology developed to optimize electrical, thermal and reliability requirements for mobile applications, such as tablets and smart phones.

Other than the organic growth in our capabilities referred to above, the integration of our acquisitions of NS Electronics Bangkok, ASAT Limited, and ASAT Semiconductor (Dongguan) Limited, also brought us additional research and development capability in QFN technology.

We expect to continue to invest resources in research and development to maintain our competitiveness in advanced assembly technology and test development capabilities. Our research and development expenditure for the years ended December 31, 2013, 2014 and 2015, were $12.3 million, $11.1 million $9.2 million, which represented 1.6%, 1.5% and 1.4%, respectively, of our sales in those periods.

Assembly and Test Facilities

We operate assembly and test facilities in seven different locations in Asia: Singapore, Bangkok in Thailand, Hsinchu in Taiwan, and Dongguan and Shanghai in China. Our facilities provide varying types or levels of services with respect to different end-product focus, customers, technologies and geographic locations. Our facilities have a diversified geographic footprint which could mitigate our customers' risk of disruption at affected facilities due to regional events because such customers could use similar services that are provided by our other unaffected facilities. The following table provides information regarding our facilities as of December 31, 2015:

Location	Area[(1)] (square meters)	Equipment[(2)]	Use of facility	Land
Serangoon, Singapore	37,000	303 Testers 8 Wire bonders	Assembly packages include fcBGA, WLCSP as well as drop shipment services Test services, including radio-frequency, mixed-signal and logic test, mixed-signal and logic test development, and wafer probe.	Leasehold property which expires in 2024 with a renewal option for another 30 years
Bangkok, Thailand	80,879	463 Testers 1,171 Wire bonders	Assembly services including QFN lead-frame packages and surface mount device lead-frame packages (including SOIC, plastic dual in-line packages) and power product packages	Three facilities, of which two owned by us on freehold basis and the lease on the third facility expires in October 2016

Location	Area(1) (square meters)	Equipment(2)	Use of facility	Land
			Test services including analog, mixed-signal and logic and power product testing Test development in analog and memory, and research and development in mixed-signal and logic test as well as drop shipment services	
Hsinchu, Taiwan	44,697	223 Testers 82 Wire bonders	Test services include memory and mixed-signal and logic, wafer probe, turnkey assembly and test services for DRAM and dual in-line memory module, test development (memory), final test and development Assembly packages including window BGA and WLCSP as well as drop shipment services	Held under three leases, one of which expires in 2024, and two of which expire in 2034.
Dongguan, China	66,483	57 Testers 578 Wire bonders	Assembly and test services for laminate packages including PBGA, lead-frame packages including QFN and QFP, micro-SD cards as well as SiP and fcBGA packages for the following product categories: mixed-signal and logic, memory storage, analog, logic and radio-frequency integrated circuits as well as drop shipment services	Held under two leases which expire in August 2018 and July 2020
Shanghai, China	17,770	66 Testers 471 Wire bonders	Assembly of laminate packages including PBGA and QFN lead-frame packages. Test services include radio frequency, mixed-signal and logic, power amplifier products as well as drop shipment services	Held under two leases which expire in 2019 and 2020

Notes:

(1) Area only includes office and manufacturing space.

(2) As of December 31, 2015, 415 of our testers were leased from our customers.

Except for our facilities in China and Thailand, all of our other facilities described above are pledged to our noteholders and the lenders under the facilities extended to us. See “Description of Certain Indebtedness” for further details.

Utilization

The following table sets forth the average utilization rates of our assembly and test equipment for the years ended December 31, 2013, 2014 and 2015. Equipment utilization rates are calculated based on total units tested or assembled expressed as a percentage of the total operating capacity of our equipment adjusted for setup and maintenance time and product changeover time. Our equipment utilization rates do not take into account testers that are on consignment basis equipment which we have written off on the basis that such equipment has not be used for a period of six months, and has no forecasted use for the subsequent six month period.

	Average utilization per year		
Services	**2013**	**2014**	**2015**
Assembly	70.4%	76.2%	72.3%
Test (Analog)	63.6%	68.3%	85.6%
Test (Mixed-signal and logic)	52.7%	79.2%	76.2%
Test (Memory)	45.7%	64.7%	68.9%

Memory test utilization was higher in 2015 mainly due to fewer testers with the sale of memory testers. Analog test utilization was higher mainly due to increased loading for owned testers. Mixed-signal and logic test utilization declined with the addition of new testers.

Assembly Equipment

The primary equipment used in our assembly operations includes wire bonders, molding systems and trim-form equipment. As of December 31, 2015, we owned and operated 2,451 wire bonders and 117 molding systems. All of our wire bonders and molding systems allow for interchangeability between lead-frame and array packages. In addition to wire bonders and automated molding machines, we maintain a variety of other types of assembly equipment, such as wafer grinders, mounts and saws, die bonders, laser markers, solder plating equipment, ball mounting equipment, package forming and singulation machines and scanners.

Test Equipment

Test equipment is a key component of the test process and is generally capital intensive. Testing equipment technology evolves rapidly, and therefore we need to continuously invest in leading technology and equipment. Most of our systems include mixed-signal and logic test platforms that have the flexibility to test both analog and digital functions, testers capable of testing radio frequency semiconductors and high speed testers for testing memory semiconductors.

As of December 31, 2015, we operated 1,112 testers, of which 342 were analog testers, 554 were mixed-signal and logic testers and 216 were memory testers. From time to time, we may purchase equipment suitable for use by a specific customer. We may also alternatively arrange with customers to lease their testing equipment to test their products. As of December 31, 2015, 415 of our testers were on consignment from our customers under which we are only required to bear the maintenance costs, but not any rental fee on the basis that our customers receive a reduction in the prices we charge. Around 70% of the consigned testers are for analog segment. Our testers which are on consignment may be recalled by our customers at any time.

In addition to testers, we maintain a variety of other types of test-related equipment, such as automated handlers and probers, scanners, reformers and personal computer workstations for use in testing software development.

Employees

As of December 31, 2015, we had 9,774 full-time employees worldwide, of whom approximately 77.0% were operations personnel, 11.8% were engineering personnel, 11.2% were general, administrative, executive management, sales and marketing personnel. As of December 31, 2014 and 2013, we had 9,706 full-time employees and 10,072 full-time employees, respectively.

We believe that we enjoy a strong relationship with our employees. To protect our intellectual property and business interests, we maintain confidentiality and non-competition agreements with all of our key employees through our letters of appointment with them.

The tables below show the breakdown of our full-time employees by geographic location as of December 31, 2015.

	As of December 31,
	2015
Singapore	1,574
Thailand	5,127
Taiwan	779
China (Dongguan)	1,844
China (Shanghai)	406
Others	44
Total	9,774

There was a decrease in the number of employees in 2014 from 2013, as we reduced headcount in Shanghai and Taiwan in line with the decrease in business at these facilities. The number of employees in 2015 as compared to 2014 remained relatively flat.

We have an annual training plan for our employees, which encompass areas such as management development, quality improvement programs, technical programs for engineers and information technology applications training. We also periodically send selected employees to participate in workshops and courses to learn and develop additional skills.

Insurance

We are covered by industrial all risks and property insurance policies on buildings, machinery, equipment and our customers' inventories to mitigate the losses which could result from damage to our production facilities. We maintain business interruption insurance for certain of our major facilities. In addition, we also maintain cargo policies to insure against damage to the materials or equipment while they are being delivered to us. We believe that our insurance coverage is adequate and in line with industry practice and is commercially reasonable and appropriate for a provider of semiconductor assembly and test services operating in each relevant market.

Quality and Reliability Assurance

We are committed to maintaining high levels of quality and reliability assurance with respect to services that we provide to customers, as well as to providing products that meet the specifications of our customers. Our goal is to exceed customer expectations through business excellence, creativity and continuous improvement.

Our team of experienced personnel comprising engineers and technicians monitor our assembly and test process indices to ensure they meet industry and customer specific quality standards. Our engineering staff are continuously working towards enhancing product quality and process improvement. Our in-house laboratories are equipped with reliability testing, failure analysis and advanced analytical tools for our research and development process. Our trained personnel inspect purchased materials to detect abnormalities. If a consistent trend in poor quality is detected, our management re-evaluates the vendor providing such materials. In addition, a rating system is imposed on key suppliers and vendors in respect of the quality of products delivered, delivery schedule and cost competitiveness.

We conduct our assembly and test operations in controlled environments where we continuously monitor the air purity, temperature and humidity. To ensure stability and integrity of our operations, we maintain clean rooms at our facilities that meet U.S. Federal 209E and ISO 6, 7, 8 (ISO 14644-1) class 1000, 10000 and 100000 standards that prescribes methods for verifying and monitoring air cleanliness in clean room environments. We have been certified to quality standards such as ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Our facilities at USG, UTL, UTC and UDG have been ISO TS16949 certified. The ISO certifications are internationally-recognized industry accreditation for companies with sound documentation control, good quality management systems and adherence to good manufacturing practices which provide for continual improvement with emphasis on prevention of defects and reduction of variation and waste in the supply chain. Assembly and test customers often look to these certifications as a threshold indication of a company's quality assurance standards. As such, we believe that these certifications provide an independent verification of the quality assurance system in our facilities' production processes.

Corporate Social Responsibility

We adopted our corporate social responsibility policy in March 2014 and initiated a group-wide "Corporate Social Responsibility Policy and Commitment Statement" directive. As part of our efforts towards environmental protection, we apply environmentally friendly process applications in our use of resources to reduce waste generation. We also practice energy conservation to reduce consumption of electricity, water and chemicals. We emphasize the reduction of carbon footprint, minimization of waste generation and the recycle and reuse of waste, where possible.

In particular, we have established a committee to comply with the guidelines promulgated by the Electronic Industry Citizenship Coalition and periodically monitor and audit our operations to promote sustainability of those guidelines and compliance with our environmental protection efforts.

We regularly monitor and conduct audits of our sustainability performance to ensure compliance and identify opportunities to improve. Our sustainability systems, processes and practices have been certified to meet ISO14001 and OHSAS18001 industrial standards.

Legal Proceedings

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 third parties, and claims relating to environmental liability, labor and products.

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.

On May 30, 2014, we filed a motion to dismiss the plaintiffs' complaint. On July 14, 2015, the court granted our motion and dismissed all the claims made against Global A&T Electronics by the plaintiffs. On July 21, 2015, certain plaintiffs filed a notice of appeal of the court's decision and, on September 8, 2015, those plaintiffs-appellants filed a brief and record in support of their appeal. We filed a brief in opposition on November 16, 2015, and the plaintiffs-appellants filed their reply on December 16, 2015. The appellate argument was initially noticed for the January 2016 appellate term in the Appellate Division of the Supreme Court of the State of New York, First Department and was heard during the April 2016 appellate term. The Appellate Division reserved decision. We are of the view that we have substantial defenses to these claims and will continue to vigorously defend the plaintiff's lawsuit. For further details, see "Risk Factors — Pending litigation by certain holders of senior secured notes issued by our wholly-owned subsidiary, Global A&T Electronics, and guaranteed by certain of our subsidiaries, may expose us to significant liabilities, result in negative publicity and have a material adverse effect on our reputation, business, financial condition, results of operations and prices of our securities." Any adverse ruling from this litigation could have a material and adverse effect on our business, financial condition and results of operations.

Litigation with Tessera

On September 30, 2010, 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 its patents that it contends cover UTC's products. Following completion of discovery concerning Tessera's patent claims, both parties submitted motions for summary judgment, which are pending. The court has scheduled trial to begin on August 30, 2016 and directed the parties to participate in a mandatory settlement conference with the magistrate judge by April 30, 2016. 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 had been dismissed. Amkor's amended complaint also confirmed that it was not seeking to reassert the other dismissed claims, but had reserved the right to appeal the dismissal of those claims. The remaining three claims made by Amkor relate to the payment of royalties by one of our subsidiaries, a claim that certain alleged events triggered a right for Amkor to seek the purchase of certain patents belonging to ASAT Limited (now known as UHK) and a breach of an implied covenant of good faith and fair dealing. On March 24, 2015, we filed a motion to dismiss the claims against UHK (formerly ASAT Limited) and an answer to the other claims. In addition, on July 28, 2015, we filed a motion for partial summary judgment against Amkor's royalty claim against UTL on the basis that UTL ceased to be covered by the royalty-bearing license when it ceased to be a subsidiary of United Test and Assembly Center Limited in September 2010. On September 11, 2015, the court issued an order providing for limited discovery on the issues raised by our motion for partial summary judgment. 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.

Except as disclosed above, we are not engaged in any litigation, claims or arbitration either as plaintiff or defendant, which has a material adverse effect on our financial position, profitability and business. Any future litigation that we are involved in and any adverse ruling from such litigation could have a material and adverse effect on our business, financial condition and results of operations.

Environmental Matters

Semiconductor testing is not typically expected to generate significant pollutants. The semiconductor assembly process generates gaseous chemical wastes, principally at the molding stage. Liquid waste is produced when silicon wafers are ground thinner and diced into chips with the aid of diamond saws and cooled with running water. In addition, excess material on leads and moldings are removed from assembled semiconductors in the trimming processes. We have installed various types of liquid and gaseous chemical waste-treatment equipment at our semiconductor assembly and bumping facilities. We have obtained the necessary business licenses for our day-to-day operations. We believe that we have adopted adequate and effective environmental protection measures that are consistent with semiconductor industry practices in Singapore, Thailand, Taiwan and China.

Singapore

Our operations in Singapore are subject to regulatory requirements and potential liabilities arising under Singapore laws and regulations governing, among other things, air emissions, wastewater discharge, waste storage, treatment and disposal, and remediation of releases of hazardous materials. Such laws and regulations include the Environmental Protection and Management Act, the Environmental Public Health Act, the Sewerage and Drainage Act 2001, the Prevention of Pollution of the Sea Act and their respective applicable subsidiary legislation, and are generally administered by Singapore's Ministry of the Environment and Water Resources, National Environment Agency and/or Public Utilities Board.

In the event of non-compliance with the Environmental Protection and Management Act, the Environmental Public Health Act, the Sewerage and Drainage Act 2001 and the Prevention of Pollution of the Sea Act, the relevant authorities may, among other things, impose fines, issue stop orders, order remedial works or revoke the relevant licenses or permits. In addition, there are various enforcement measures provided in these Acts such as (i) the power to arrest persons who have committed an offense, (ii) the power to enter any premises for the purpose of making any survey, inspection, investigation and/or executing any authorized work, and (iii) the power to search and seize any hazardous substance or toxic substance.

If we are found to have contravened any of the applicable Singapore environmental laws and regulations, we would be subject to sanctions and/or orders, including fines, a revocation or suspension of any applicable license or permit held by us, or an order to stop work either indefinitely or until such time as the steps which may be specified in the order have been taken. In addition, we would generally be required to remove and clean up any toxic or hazardous substance, trade effluent, oil, chemical, sewage, or polluting matters that we have discharged or caused or permitted to be discharged. We may also be required to take steps to reduce the quantity or toxicity of our toxic industrial waste if it is found to be excessive or unduly toxic.

Thailand

The Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992), or the Environmental Quality Act, was enacted to regulate environmental matters, including water, air and noise pollution and the conversion of natural resources. The National Environment Board, or the NEB, and the Pollution Control Board, or the PCB, were established to administer the Environmental Quality Act, to develop environmental policy, coordinate issues relating to environment and quality standards, set emissions standards and propose environmental legislation.

For the purpose of environmental quality enhancement and conservation, the NEB has the power to prescribe by notifications published in the Government Gazette the environmental quality standards regarding public inland water sources, groundwater quality standards, atmospheric ambient air standards, ambient standards for noise and vibration and environmental quality standards for other matters. The PCB assists the NEB by developing strategic plans to improve pollution control and environmental preservation. The PCB also coordinates pollution control issues between the public and private sectors and prescribes standards of pollution control for the pollution and hazardous waste emissions and control.

According to the Environmental Quality Act, if a factory fails to comply with the environmental quality standards prescribed by law and leakage or contamination from the factory results in death or bodily harm or injures the health of any person or causes damage in any manner to the property of any private person or of the State, the owner or possessor of the source of pollution is liable to compensate for the damages inflicted on others, regardless whether the leakage or contamination results from a wilful or negligent act of the owner or possessor. Any person violating or failing to comply with this Act and the Ministry's rules is subject to fines ranging from 5,000 Thai Baht to 500,000 Thai Baht, in addition to the value of any natural resources that are damaged or destroyed, imprisonment from one month to five years, or both, depending on the violation. The PCB may also revoke operating permits or issue suspensions in its discretion.

Taiwan

UTC's semiconductor assembly and test operations in Taiwan are subject to regulation and periodic monitoring by the Taiwanese Environmental Protection Administration and local environmental protection authorities, including the Science-Based Industrial Park Administration. In Taiwan, the county and city environmental bureaus in each county or city where UTC conducts its operations are responsible for the enforcement of the Taiwanese environmental laws applicable to UTC's operations in such county or city.

UTC's semiconductor assembly and test operations in Taiwan are subject to various environmental protection laws and regulations, including the Air Pollution Control Act, the Water Pollution Control Act, the Soil and Groundwater Pollution Remediation Act, the Noise Control Act, the Waste Disposal Act, the Toxic Chemical Substance Control Act, the Environmental Impact Assessment Act, the Sewerage Act, and the implementing rules and standards promulgated thereunder.

These environmental laws prescribe that, during the course of plant construction, production and other operating activities, businesses are required to, among other things, install environmental protection measures, establish and maintain effective pollution prevention systems, obtain relevant licenses and make regular reports on the instalment and operation of stationary sources of pollution (that is, a structure, facility, equipment or installation, located at a certain property, that emits air pollutants), apply to competent authorities for discharging certain pollutants, and comply with rules and procedures designed for the proper handling and disposal of pollutants and waste. In the event of a discharge, spill or release of pollutants from a site occupied by a business, such business is responsible for taking all necessary remedial and clean-up measures to eliminate the pollutants.

If a business fails to comply with these environmental laws, it may, depending on the specific circumstance of such offense, be subject to a warning or rectification order, administrative fine, revocation or suspension of its license or permit, an order to cease operation, permanent shutdown, civil damage claims or criminal liability.

China

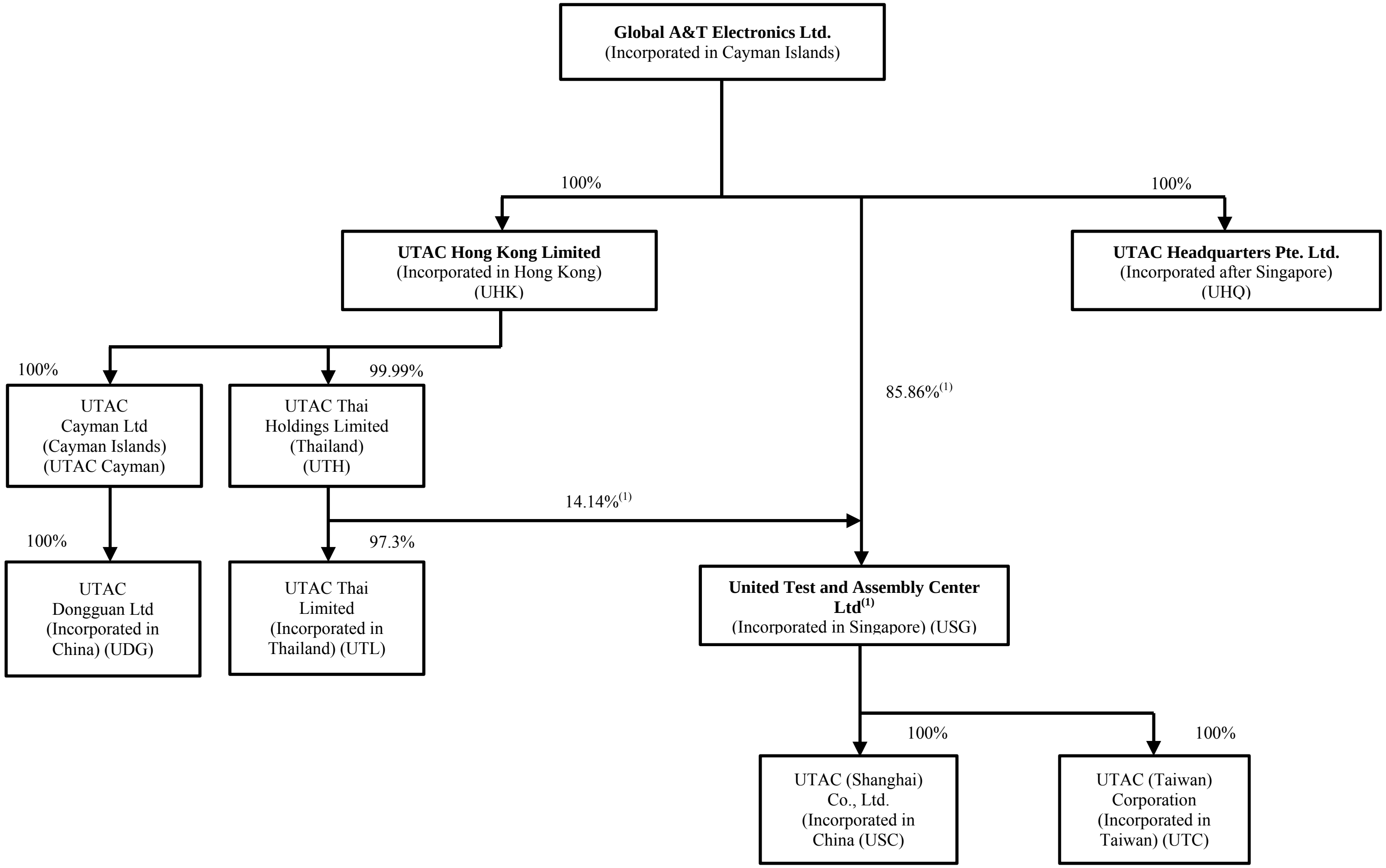
Various approvals and certificates are required from various government authorities for the conduct of our business and operations in China, including foreign investment, tax, foreign exchange and customs registration certificates. The relevant China environmental protection laws and regulations include the Environmental Protection Law of China, Water Pollution Prevention Law of China, Air Pollution Prevention Law of China, Solid Waste Pollution Prevention Law of China, Noise Pollution Prevention Law of China and other local regulations. These laws and regulations prescribe standards for disposal of residuals, wastewater, gas and noise pollution. In addition, the environmental protection departments of local governments have authority to conduct environmental supervision and management and to make on-site inspections on work units within their jurisdictions.

Pursuant to the Environmental Prevention Law, the Water Pollution Prevention Law, the Air Pollution Prevention Law and the Noise Pollution Prevention Law, if a construction project in China discharges sewage, gases or noise, (i) an environmental impact assessment in respect of the project has to be conducted by a qualified professional institution to ensure that the project complies with the regulatory requirements in respect of the discharge of sewage, gases and noise, and (ii) an audit by the local environmental prevention authority is to be carried out and an approval from such authority must be obtained, failing which the project shall not be permitted to commence.

The Fire Prevention Law and the applicable fire prevention regulations prescribe that prior to the commencement of any large-scale or special construction projects carried out in a densely populated place, an opinion relating to fire safety design must be obtained from the fire prevention authority. Following the completion of the project, an audit by the fire prevention authority is to be carried out and approval from the authority is to be obtained. Any project other than projects in densely populated places or special construction projects are subject to audit by the fire prevention authority, after which, filings with the authority must be made. In the event that such projects are disqualified by the fire prevention authority on subsequent audits, such projects shall not be permitted to be put into use.

CORPORATE STRUCTURE

Our corporate structure as of the date of this annual report is shown in the chart below.



(1) In January 2016, pursuant to a share purchase agreement between Global A&T Electronics and UTH, 219,341,749 ordinary shares in USG (amounting to approximately 14.14 percent of the shares of USG) were transferred by Global A&T Electronics to UTH.

MANAGEMENT

Directors and Executive Officers

Members of our board of directors are elected by our shareholders. As of the date of this annual report, our board of directors consists of four directors.

The following table sets forth the names of our directors and executive officers, as of the date of this annual report.

Name	Age	Position
Directors:		
Scott Yue Chen	38	Director
Steven Joseph Schneider	56	Director
Tang Kok Yew	63	Director
Tong Poh Tay	54	Director
Executive Officers:		
William John Nelson	61	Group President and Chief Executive Officer
Douglas J. Devine	46	Chief Financial Officer
Asif R. Chowdhury	50	Senior Vice President of Product Line and Marketing
Jeffrey R. Osmun	52	Senior Vice President of Worldwide Sales
Frank R. Myers	53	Senior Vice President of Operations

Directors

Scott Yue Chen. Mr. Chen is a partner and managing director of TPG Capital. Mr. Chen is head of TPG's Beijing office and co-leads investment opportunities for TPG Capital in Greater China. Mr Chen's investment focus spans across all industries but he specializes in technology, media and telecom, consumer, retail and healthcare industries. Since joining TPG Capital in 2001, Mr. Chen has been based in TPG Capital's Singapore, Hong Kong and Beijing offices and has evaluated and executed private equity transactions across multiple industries spanning across most Asia Pacific countries. In addition to UTAC, Mr. Chen is serving and has served as director on the boards of TPG's portfolio companies including co-chairman of Untied Family Healthcare, a leading private premium healthcare service platform in China, Li Ning, a leading Chinese sports apparel company, and Taishin Bank, a leading Taiwanese bank. Mr. Chen graduated from the University of Colorado with a Bachelor of Science in Business.

Steven Joseph Schneider. Mr. Schneider is a partner and managing director of TPG Capital. He is responsible for the operations group within Asia. Mr. Schneider has over 30 years' experience in various industrial and capital businesses in Asia and the United States. Prior to joining TPG Capital in 2005, Mr. Schneider was the chief executive officer and a company officer of General Electric Asia Pacific where he previously spent 20 years of which 14 years were in Asia (including Japan, Singapore, Hong Kong and Shanghai). He currently serves as a non-executive director (chairman) of HCP Holdings Inc. (China) and non-executive director of Alinta Energy Limited (Australia). He previously held non-executive director positions at Hanaro Telecom (S. Korea), Parkway Hospitals (Singapore), Healthscope Limited (Australia), Myer Department Stores (Australia) and Unitrust Finance & Leasing Corporation (China). He is a graduate of Grove City College with a B.A. Degree in Business Administration.

Kok Yew Tang. Mr. Tang is the founding chairman and managing partner of Affinity Equity Partners following its spin-off from UBS Capital in 2004. Prior to that, he was the chairman of UBS Capital (Asia Pacific) Limited since 1999. Before he joined UBS Capital, he was the chief executive for Investment Banking, East Asia at Union Bank of Switzerland in 1995. Following the merger of Union Bank of Switzerland and Swiss Bank Corporation to form UBS, Mr. Tang became chief executive, Hong Kong, of UBS Group and Asia Regional Head of Investment Banking for UBS Investment Bank. Mr. Tang also served in a number of senior roles over 20 years in Banque Indosuez Group and Chase Manhattan Bank in Hong Kong and Malaysia. Mr. Tang holds a Bachelor of Economics (Accounting) Degree with First Class Honors from the University of Malaya.

Tong Poh Tay. Mr. Tay joined Affinity Equity Partners in 2011 as managing director and head of Portfolio Management Group. Prior to that, he was managing director and head of Investment Banking of

United Overseas Bank Limited, or UOB, in Singapore for five years. Before UOB, Mr. Tay was with J.P. Morgan Securities (Asia Pacific) Limited (including predecessors, Chase Manhattan Bank and Chase Manhattan Asia Limited) in Singapore and Hong Kong for 17 years, where he was managing director and head of Loan Syndications, Asia Pacific. Mr. Tay holds a Bachelor of Science (Electrical Engineering) from the University of Southern California Viterbi School of Engineering and a Master of Business Administration (Finance) from the University of Chicago Booth School of Business. Mr. Tay was appointed to our board of directors on January 29, 2016 to replace Mr. Mok Weng Sun.

Executive officers

William John Nelson. Dr. Nelson is our Group President and Chief Executive Officer. Dr. Nelson has more than 30 years of experience in the semiconductor industry. Prior to joining us, Dr. Nelson was the chief operating officer and executive vice president of ON Semiconductor. During his tenure at ON Semiconductor, Dr. Nelson oversaw its worldwide manufacturing, quality, supply chain and information technology operations. Dr. Nelson earned a Bachelor of Science in Physics with second class honors and a PhD in Physics from the University of Ulster, Northern Ireland.

Douglas J. Devine. Mr. Devine, our Chief Financial Officer is responsible for our group's corporate finance and information technology functions. Mr. Devine has more than 20 years of experience as a financial executive and manager in the semiconductor industry and related fields, including various financial management positions at Intel from 1997 to 2009. From 2009 to 2011, Mr. Devine was vice president of finance for Nvidia Corporation. From 2011 to 2013, Mr. Devine was the chief financial officer of two Silicon Valley venture capital start-up companies, Stion Corporation, a thin film solar technology company, and, Soraa, a next generation LED company. Mr. Devine holds a Bachelor of Science in Engineering and a Master of Business Administration in Finance from the University of Michigan, and has a certified public accountant license.

Asif R. Chowdhury. Mr. Chowdhury, our Senior Vice President is responsible for our group's product line and marketing function. Mr. Chowdhury has more than 20 years of experience in managing business units, business development, process engineering, design, research and development, and strategic sourcing in the semiconductor industry and related fields. Prior to joining us in March 2014, Mr. Chowdhury was working with Analog Devices Inc. and based in Wilmington, Massachusetts where he was in charge of its MEMS package development and assembly engineering, and strategic sourcing for assembly and test. Mr. Chowdhury holds a Bachelor of Science in Mechanical Engineering from the University of Texas at Arlington and a Master of Science in Mechanical Engineering from Southern Methodist University. He also has a Master of Business Administration and Master of Science in Finance from Northeastern University.

Jeffrey R. Osmun. Mr. Osmun, our Senior Vice President is responsible for our group's worldwide sales. Mr. Osmun has more than 25 years of international experience working with sales, marketing, operations and technology organizations predominately in the semiconductor industry in a business-to-business consultative sales environment. Prior to joining us, Mr. Osmun was a senior vice president of sales and marketing for Generated Materials Recovery, an environmental and sustainability services company, from 2010 to 2012. From 2006 to 2009, he held executive leadership positions at White Electronic Designs Corp (now a division of Microsemi Corporation) and ASAT Ltd. From 1999 to 2006, Mr. Osmun was the executive vice president of worldwide sales and marketing for STATS and subsequently STATS ChipPAC Ltd., and from 1985 to 1999, he held various executive leadership positions at Kyocera America. Mr. Osmun holds a Bachelor of Science in Mechanical Engineering from Lehigh University.

Frank R. Myers. Dr. Myers is responsible for our group's operations and has over 25 years of experience in the semiconductor and bioscience industries. Dr. Myers began his career at Motorola Semiconductor and went on to serve key management roles in Amersham Biosciences, GE Healthcare, and ON Semiconductor. Dr. Myers' experience includes technology development and transfer, factory construction and start-up, quality systems, program management, and manufacturing operations management. Prior to joining us, he was a senior director of program management at ON Semiconductor and was responsible for driving the top revenue growth, technology development, cost reduction, and post mergers and acquisition integration programs. Dr. Myers graduated from Arizona State University with B.S.E., M.S., and Ph.D. Degrees in Chemical Engineering.

Code of Business Conduct and Ethics

We are committed to conducting our business in compliance with all applicable laws and to implementing robust corporate governance procedures and policies. Since his arrival in October 2012, our Chief Executive Officer has made it a priority to instill a compliance culture and focus throughout our company and to drive the implementation of our governance policies and processes. His increased focus in the area has led us to adopt more stringent governance policies and procedures and to implement additional employee training, all designed to ensure we and our directors, officers, employees and representatives conduct our business in an ethical and lawful manner. In particular, we have adopted a more extensive and robust Code of Conduct and additional policies as implemented by our immediate holding company, UTAC Holdings. The Code of Conduct and additional policies set out the principles of conduct to be followed by all of our directors, officers and employees. The Code of Conduct and corporate governance policies cover a number of important areas including compliance with anti-bribery and anti-corruption laws, anti-money laundering laws, import and export regulations, antitrust laws, environmental and health and safety laws and insider trading laws. The Code of Conduct and associated policy for complaints regarding accounting, internal accounting controls and auditing matters also contain provisions under which employees can confidentially report violations of company policy or applicable law. Waivers of the Code of Conduct require the approval of our board of directors for executive officers or directors, and will be considered by our legal, internal audit and human resources departments for other employees.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Affinity and TPG currently own, directly or indirectly, shares representing all of our equity value and voting power, except for less than 5.0% which are owned by management and certain individuals.

Affinity

Affinity is an independently owned buy-out fund manager established in 2004 following the spin-off of the UBS Capital Asia Pacific team from UBS AG. Affinity currently advises and manages over $8 billion of equity funds and assets, making it one of the largest independent private equity firms in the Asia Pacific region for control-orientated investments. Affinity is supported by a team of over 35 investment professionals and has a successful track record in private equity investments in the region, having completed over 33 transactions in ten countries since 1999.

TPG

TPG is a leading global private investment firm founded in 1992 with $55.7 billion of assets under management and offices in San Francisco, Fort Worth, Austin, Beijing, Chongqing, Hong Kong, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, Paris, São Paulo, Shanghai, Singapore and Tokyo. TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, growth investments, joint ventures and restructurings.

CERTAIN RELATIONSHIPS AND TRANSACTIONS — RELATED PARTY TRANSACTIONS

We entered into the following material related party transactions with our affiliates during the period from January 1, 2013 to the date of this annual report.

Transaction with ASint

UTC holds a 13.2% equity interest in Asint Technology Corporation, or ASint. Silicon Integrated Systems Corp has a 19.9% equity interest and Asustek Computer Inc has a 16.6% equity interest in ASint. ASint is a professional memory supplier. In 2013 and 2014, UTC provided $0.5 million and $5,400, respectively, of assembly services to ASint. UTC did not provide assembly services to ASint in 2015.

Transaction with Costa Esmeralda Investments Limited

Costa Esmeralda Investments Limited, or Costa Esmeralda, is a company wholly-owned by Affinity Fund III. On August 14, 2009, Costa Esmeralda purchased a commitment of $83.1 million with respect to Global A&T Electronics' second priority fixed rate loan and $97.3 million with respect to Global A&T Electronics' second priority floating rate loan (each amount comprising 35.0% of the commitment of all lenders under each respective loan facility) from an unrelated lender on an arm's length basis.

On September 30, 2013, Global A&T Electronics issued $502.3 million in aggregate principal amount of senior secured notes to extinguish all of Global A&T Electronics' previous second priority term loans. As one of the previous lenders under Global A&T Electronics' previous second priority term loans, Costa Esmeralda was issued $175.8 million in aggregate principal amount of senior secured notes to extinguish Costa Esmeralda's holdings of the previous second priority term loans. As of December 31, 2015, Costa Esmeralda held $[175.8] million in aggregate principal amount of senior secured notes.

Reimbursement of Expenses

From time to time in the past three financial years, the directors of Global A&T Holdings and/or Global A&T Electronics incurred disbursements and expenses in the course of performing their duties and responsibilities as directors and acting for the benefit of our group, such as attending meetings of directors, committees of the directors or general meetings or otherwise in or about the business of our group. These expenses and disbursements were reimbursed by certain associates of Affinity Fund III GP and TPG Group Holdings SBS Advisors, Inc., who in turn were reimbursed by a member of our group. The amounts reimbursed to the said certain associates of Affinity Fund III GP was $0.03 million in the year ended December 31, 2013 and $4,803 for the year ended December 31, 2014. There were no reimbursements to Affinity Fund III GP for the year ended December 31, 2015 or to TPG Group Holdings SBS Advisors, Inc. and its associates for the years ended December 31, 2013, 2014 and 2015.

All these sums were reimbursed by members of our group, and as no fees were charged, such reimbursements were not on an arm's length basis.

DESCRIPTION OF CERTAIN INDEBTEDNESS

Senior Secured Notes

On February 7, 2013, Global A&T Electronics issued $625 million in aggregate principal amount of senior secured notes pursuant to an indenture dated February 7, 2013 entered into among Global A&T Electronics, certain subsidiaries of Global A&T Electronics and Citicorp International Limited, as trustee and security agent. On September 30, 2013, Global A&T Electronics issued $502.3 million in aggregate principal amount of additional senior secured notes in exchange for the cancellation of Global A&T Electronics' previous second priority term loans. The senior secured notes have a maturity date of February 1, 2019 and bear interest at the rate of 10% per annum, payable semi-annually every February 1 and August 1.

Global A&T Electronics' obligations under the senior secured notes are guaranteed by certain of our subsidiaries and are secured by substantially all of the assets of Global A&T Electronics and its subsidiaries.

The senior revolving credit facility agreement dated February 7, 2013 entered into among GATE, JPMorgan Chase Bank, N.A., as administrative agent, syndication agent and documentation agent, Citicorp International Limited, as security agent, Bank of America, N.A., Credit Suisse AG, Singapore Branch, JP Morgan Chase Bank N.A. acting through its Singapore Branch and UBS AG, Hong Kong Branch, as joint mandated lead arrangers and joint bookrunners is secured on a first priority basis by the collateral but has a prior right of payment relative to the senior secured notes in the event of a foreclosure of the collateral or in any bankruptcy, insolvency or similar event. While the senior secured notes and the senior revolving credit facility have equal lien ranking with regards to the collateral, in terms of right of payment the senior secured notes are effectively subordinated to the indebtedness under the senior revolving credit facility to the extent of the value of the collateral or any recoveries under the guarantees.

Global A&T Electronics has agreed to use commercially reasonable efforts to appoint a Taiwanese collateral agent to hold a lien over substantially all of the assets of UTC and a lien over the shares in UTC promptly after the issuance of the senior secured notes. Global A&T Electronics is still in the process of identifying a suitable Taiwanese collateral agent.

At any time and from time to time prior to February 1, 2016, Global A&T Electronics may redeem up to a maximum of 35% of the original aggregate principal amount of the senior secured notes with the net cash proceeds of certain equity offerings at a redemption price equal to 110% of the principal amount of the senior secured notes plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the original aggregate principal amount of the senior secured notes remains outstanding. Global A&T Electronics also has the option to redeem the senior secured notes on or after February 1, 2016, in whole or in part, at a redemption price of 105% (during the twelve-month period beginning on February 1, 2016), 102.5% (during the twelve-month period beginning on February 1, 2017) or 100% (after February 1, 2018) of the principal amount of the notes, plus accrued and unpaid interest, if any, to the redemption date. Subject to certain exceptions, Global A&T Electronics may redeem all, but not some, of the senior secured notes at their principal amount, plus accrued and unpaid interest, upon a change in tax law increasing the rate of withholding taxes on amounts payable under the senior secured notes.

Global A&T Electronics must make an offer to repurchase all the senior secured notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, no later than 60 days after a "change of control" (as defined in the indenture), and the proceeds of certain asset sales that are not used to repay senior indebtedness, acquire certain replacement costs or other permitted purposes within 365 days of the asset sale.

The indenture also requires that up to $300 million of the net proceeds of an initial public offering of Global A&T Electronics, a direct or indirect holding company of Global A&T Electronics or any of its subsidiary, shall be used to repay or refinance our senior indebtedness. Failure to comply with this covenant will result in an event of default.

The indenture contains covenants that, among other things, limit the ability of Global A&T Electronics and certain of its subsidiaries (subject to certain exceptions) to:

- incur additional indebtedness if the consolidated interest expense coverage ratio (as defined in the indenture) is less than 2.0 to 1;

- make certain investments or other specific restricted payments;
- declare dividends or purchase or redeem capital stock;
- enter into agreements that restrict our subsidiaries' ability to pay dividends and transfer assets or make inter-company loans;
- issue or sell capital stock;
- issue guarantees;
- enter into transactions with equity holders or affiliates;
- create liens;
- enter into sale and leaseback transactions;
- sell assets;
- engage in different business activities; or
- effect a consolidation or merger,

subject in each case to certain limitations, exceptions and qualifications.

Senior Revolving Credit Facility

On February 7, 2013, Global A&T Electronics, as borrower, entered into the senior revolving credit facility agreement with JPMorgan Chase Bank, N.A., acting through its Singapore Branch, as administrative agent, syndication agent and documentation agent, Citicorp International Limited, as security agent, Bank of America, N.A., Credit Suisse AG, Singapore Branch, JPMorgan Chase Bank, N.A., acting through its Singapore Branch and UBS AG, Hong Kong Branch, as joint mandated lead arrangers and joint bookrunners, and the lenders that are party to that agreement from time to time.

Under the senior revolving credit facility, Global A&T Electronics is granted an amount of $125 million of revolving credit, which may be used for, among other things, working capital and other general corporate purposes of Global A&T Electronics and its subsidiaries. The senior revolving credit facility will mature on the earlier of (i) the fifth anniversary of the closing date of February 7, 2013 and (ii) 181 days prior to the final maturity date of the second lien indebtedness (as defined in the senior revolving credit facility agreement), or if such second lien indebtedness has been repaid or refinanced in full under a permitted refinancing (as defined in the senior revolving credit facility agreement), 181 days prior to the maturity of the indebtedness arising in respect of such permitted refinancing.

The senior revolving credit facility carries an interest rate of LIBOR plus a margin of 4.25% per annum for the first six months following the execution of the senior revolving credit facility agreement, and thereafter, at such margins depending on the net leverage ratio (as defined in the senior revolving credit facility agreement) of our group as follows:

Greater than 2.75 to 1.00	—	4.25% per annum
Greater than 2.50 to 1.00 and up to 2.75 to 1.00	—	4.00% per annum
Greater than 2.25 to 1.00 and up to 2.50 to 1.00	—	3.75% per annum
Less than 2.25 to 1.00	—	3.25% per annum

A portion of the senior revolving credit facility, of an amount of up to $5.0 million, may be utilized for the issuance of letters of credit.

The senior revolving credit facility is guaranteed by certain subsidiaries of Global A&T Electronics and secured on a first priority basis by the collateral but has a prior right of payment relative to the senior secured notes (which are also secured on a first priority basis) in the event of a foreclosure of the collateral or in any bankruptcy, insolvency or similar event.

The senior revolving credit facility includes a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- create liens on assets;
- make investments, loans or advances;
- incur additional indebtedness;
- engage in mergers or consolidations;
- sell assets or enter into sale and leaseback transactions;
- pay dividends and distributions, repurchase our share capital or make other restricted payments;
- change our lines of business;
- enter into transactions with affiliates; and
- repay subordinated indebtedness or amend agreements governing our subordinated indebtedness.

The senior revolving credit facility also contains certain customary affirmative covenants and events of default for a facility of this nature, subject to agreed exceptions, limitations and qualifications. In addition, the senior revolving credit facility also requires that up to $300 million of the net proceeds of an initial public offering of Global A&T Electronics or a direct or indirect holding company of Global A&T Electronics, among others, shall be used to repay or refinance our senior indebtedness. Failure to comply with this covenant will result in an event of default. The senior revolving credit facility also provides that if certain events occur prior to such an initial public offering, all commitments under the senior revolving credit facility shall be immediately cancelled, all outstanding loans thereunder shall be immediately prepaid, and all available amounts under outstanding letters of credit thereunder shall be immediately cash collateralized. Such events include (i) the existing shareholders of Global A&T Electronics and their affiliates ceasing to directly or indirectly beneficially own or have the right to vote more than 50% of the shares of Global A&T Electronics, and (ii) the majority of the seats on Global A&T Electronics' board of directors ceasing to be occupied by (among others) the directors of Global A&T Electronics holding office on February 7, 2013 and their nominees.

The senior revolving credit facility requires us to maintain a debt service coverage ratio (as defined in the senior revolving credit facility agreement) of at least 1.20 to 1.00 as a condition to any utilization of the facility where the aggregate amount of outstanding revolving credit loans (including any amounts to be drawn) and letters of credit (including any amounts to be issued) under the senior revolving credit facility exceeds a trigger amount, being 13.3% of the total commitments under such facility. We will also be required to maintain the same debt service coverage ratio as of the end of each financial quarter if we have drawn more than the trigger amount under the senior revolving credit facility. As of December 31, 2015, we did not meet this ratio.

First Priority Intercreditor Agreement

On February 7, 2013, Citicorp International Limited, as trustee under the indenture and as common collateral agent, entered into the first priority intercreditor agreement dated February 7, 2013, with Global A&T Electronics, the Subsidiary Guarantors, JPMorgan Chase Bank N.A., as the administrative agent under the senior revolving credit facility.

The first priority intercreditor agreement provides, among others, (i) that the security interests of the senior secured notes and the indebtedness under the senior revolving credit facility will rank equal in priority, (ii) the obligations under the senior revolving credit facility will have priority in right of payment over the senior secured notes upon an occurrence of an event of default under the senior revolving credit facility which is continuing, and (iii) that in any foreclosure of the collateral, or in insolvency or liquidation proceeding of Global A&T Electronics or its subsidiaries, the proceeds (including distributions of cash, securities or other property on account of the value of the collateral in a bankruptcy, insolvency, reorganization or similar proceeds) received by such common collateral agent will be applied to the payment in full of all obligations under the senior revolving credit facility before any such proceeds are applied to the payment under the senior secured notes or any other senior secured obligations.

In addition, the first priority intercreditor agreement provides for a procedure that will require each of the administrative agent under the senior revolving credit facility and trustee under the indenture to consult and co-ordinate prior to taking any enforcement action in relation to the collateral, stipulated time periods and events governing the rights of each of the trustee under the indenture and the administrative agent under the senior revolving credit facility in relation to any enforcement in relation to the collateral, and includes certain provisions that may benefit the lenders to the senior revolving credit facility in a bankruptcy proceeding involving us, including provisions acknowledging that the priority of payments in the first priority intercreditor agreement constitute a "subordination agreement" enforceable under Section 510(a) of the U.S. Bankruptcy Code.

Intercreditor Agreement

On February 7, 2013, Citicorp International Limited, as the incoming first priority representative on behalf of the lenders under the senior revolving credit facility and the noteholders of the senior secured notes, entered into an amendment in respect of the intercreditor agreement dated October 30, 2007 with Global A&T Electronics, certain subsidiaries of Global A&T Electronics and JPMorgan Chase Bank N.A., as first priority representative on behalf of the first priority secured parties and as second priority representative on behalf of the second priority secured parties. On September 30, 2013, Citicorp International Limited as first priority representative on behalf of the first priority secured parties, entered into an amendment in respect of the intercreditor agreement with Global A&T Electronics, certain subsidiaries of Global A&T Electronics and JPMorgan Chase Bank N.A. as second priority representative on behalf of the second priority secured parties.

Security Documents

Global A&T Electronics Security Documents

On February 7, 2013, Global A&T Electronics entered into a first priority security deed with Citicorp International Limited, as security agent to secure Global A&T Electronics' obligations under the indenture and senior revolving credit facility agreement. The first priority security deed created a security interest, in favor of the security agent, in substantially all of Global A&T Electronics' assets, subject to certain exceptions.

On February 7, 2013, Global A&T Electronics entered into a first priority deed of share charge with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and senior revolving credit facility agreement. The first priority deed of share charge pledged, in favor of the security agent, all of Global A&T Electronics' shares in USG.

On September 30, 2013, Global A&T Electronics entered into a first priority security deed with Citicorp International Limited, as security agent to secure Global A&T Electronics' obligations under the indenture and senior revolving credit facility agreement. The first priority security deed created, in favor of the security agent, a security interest in substantially all of Global A&T Electronics' assets, subject to certain exceptions. The terms of the first priority security deed executed on September 30, 2013 are substantially the same as the first priority security deed executed on February 7, 2013.

On September 30, 2013, Global A&T Electronics entered into a first priority deed of share charge with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement. The first priority deed of share charge pledged, in favor of the security agent, all of Global A&T Electronics' shares in USG. The terms of the first priority deed of share charge executed on September 30, 2013 are substantially the same as the first priority deed of share charge executed on February 7, 2013.

On May 8, 2015, Global A&T Electronics entered into a first priority deed of share charge with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement. The first priority deed of share charge pledged, in favor of the security agent, all of Global A&T Electronics' shares in UHQ.

USG Security Documents

On February 7, 2013, USG entered into a first priority security deed with Citicorp International Limited, as collateral agent, to secure Global A&T Electronics' obligations under the indenture and senior revolving credit facility agreement and USG's guarantees in respect thereof. The first priority security deed created, in favor of the security agent, a security interest in substantially all of USG's assets (including its land, investments, plants and machinery, bank account, insurances, contracts and intellectual property), subject to certain exceptions.

On February 7, 2013, USG entered into a first priority mortgage with Citicorp International Limited, as mortgagee, pursuant to which a mortgage was created on USG's properties located at 5 Serangoon North Avenue 5 Singapore, 554916, and 2 Ang Mo Kio Street 63 Singapore, 569111, to secure Global A&T Electronics' obligations with the indenture and the senior revolving credit facility agreement and USG's guarantees in respect thereof. The property at 2 Ang Mo Kio Street 63 Singapore, 569111, was disposed of in 2014.

On September 30, 2013, USG entered into a first priority security deed with Citicorp International Limited, as collateral agent, to secure Global A&T Electronics' obligations under the indenture and senior revolving credit facility agreement and USG's guarantees in respect thereof. The first priority security deed created, in favor of the security agent, a security interest in substantially all of USG's assets (including its land, investments, plants and machinery, bank account, insurances, contracts and intellectual property), subject to certain exceptions. The terms of the first priority security deed executed on September 30, 2013 are substantially the same as the first priority security deed executed on February 7, 2013.

On April 1, 2015, USG entered into a first priority mortgage with Citicorp International Limited, as mortgagee, pursuant to which a mortgage was created on USG's properties located at 5 Serangoon North Avenue 5 Singapore, 554916, to secure Global A&T Electronics' obligations with the indenture and the senior revolving credit facility agreement and USG's guarantees in respect thereof. The terms of the mortgage executed on April 1, 2015 are substantially the same as the mortgage executed on February 7, 2013.

UHK Security Documents

On February 7, 2013, UHK entered into (i) a first priority security deed, (ii) a first priority share charge, and (iii) an amendment to the pledge of shares agreement (in respect of UTH's shares), with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UHK's guarantees in respect thereof. The first priority security deed created, in favor of the security agent, a security interest in substantially all of UHK's assets, subject to certain exceptions. The first priority share charge and amendment to the pledge of shares agreement, pledged, in favor of the security agent, all of UHK's shares in UTAC Cayman and UTH respectively. On September 30, 2013, UHK entered into a supplemental deed to amend and restate the first priority share charge. The terms of the first priority share charge executed on February 7, 2013 remains substantially the same.

On April 17, 2015, UHK entered into an amendment to the pledge of shares agreement (in respect of UTH's shares), with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UHK's guarantees in respect thereof.

UTAC Cayman Security Documents

On February 7, 2013, UTAC Cayman entered into a first priority security deed with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UTAC Cayman's guarantees in respect thereof. The first priority security deed created, in favor of the security agent, a security interest in substantially all of UTAC Cayman's assets, subject to certain exceptions.

On September 30, 2013, UTAC Cayman entered into a first priority security deed with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UTAC Cayman's guarantees in respect thereof. The first priority security deed created, in favor of the security agent, a security interest in substantially all of UTAC

Cayman's assets, subject to certain exceptions. The terms of the first priority security deed executed on September 30, 2013 are substantially the same as the first priority security deed executed on February 7, 2013.

UTH Security Documents

On April 20, 2015, UTH entered into an amendment to a pledge of shares agreement with Citicorp International Limited, as security agent, to pledge all of UTH's shares in UTL to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UTH's guarantees in respect thereof.

On January 21, 2016, UTH entered into a first priority deed of share charge with Citicorp International Limited, as security agent, to pledge all of UTH's shares in USG (amounting to approximately 14.14 percent of the shares of USG) to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UTH's guarantees in respect thereof.

UTL Security Documents

UTL is in the process of finalizing the security documents relating to a first ranking machinery mortgage and first ranking land and building mortgage to be granted to Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement, and UTL's guarantees in respect thereof.

Taiwan Security Documents

UTC is still in the process of identifying a suitable Taiwanese collateral agent for appointment to hold a lien in respect of all of UTC's assets and a lien over USG's shares in UTC to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UTC's guarantees in respect thereof.

On May 8, 2015, UTC entered into a first priority intercompany loan security deed with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UTC's guarantees in respect thereof. The first priority intercompany loan security deed created, in favor of the security agent, a security interest in substantially all of UTC's intercompany loans to other obligors under the indenture and the senior revolving credit facility agreement, subject to certain exceptions.

UHQ Security Documents

On May 8, 2015, UHQ entered into a first priority security deed with Citicorp International Limited, as security agent, to secure Global A&T Electronics' obligations under the indenture and the senior revolving credit facility agreement and UHQ's guarantees in respect thereof. The first priority security deed created, in favor of the security agent, a security interest in substantially all of UHQ's assets, subject to certain exceptions.

FINANCIAL STATEMENTS

pwc

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SANTHI

GLOBAL A&T ELECTRONICS LTD
(Incorporated in Cayman Islands. Registration Number: MC-189744)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

GLOBAL A&T ELECTRONICS LTD
(Incorporated in Cayman Islands. Registration Number: MC-189744)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

GLOBAL A&T ELECTRONICS LTD
(Incorporated in Cayman Islands)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

In the opinion of the directors,

(a) the consolidated financial statements of Global A&T Electronics Ltd and its subsidiaries (the "Group") as set out on pages 3 to 65 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements, and

(b) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the directors

Tay Tong Poh
Director

Scott Yue Chen
Director

23 MAR 2016

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GLOBAL A&T ELECTRONICS LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Global A&T Electronics Ltd and its subsidiaries (the "Group") set out on pages 3 to 65, which comprise the consolidated balance sheet of the Group as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 23 March 2016

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2015

	Note	**2015 US$'000**	2014 US$'000
Sales	4	**679,067**	734,121
Cost of sales		**(569,739)**	(612,194)
Gross profit		**109,328**	121,927
Other income	5	**5,071**	8,866
Other (losses)/gains - net	6	**(1,868)**	35,187
Expenses			
- Selling, general and administrative		**(71,587)**	(65,438)
- Research and development		**(9,240)**	(11,109)
- Finance	9	**(121,909)**	(120,664)
- Others		**(9,154)**	(11,673)
Loss before income tax	7	**(99,359)**	(42,904)
Income tax expense	10(a)	**(18,102)**	(12,780)
Loss after tax		**(117,461)**	(55,684)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
- Fair value losses	27	**(3,030)**	-
- Reclassification	27	**3,030**	1,148
Currency translation differences arising from consolidation	27	*****	(5)
Available-for-sale financial assets			
- Fair value gain	27	**16**	-
Items that will not be reclassified to profit or loss:			
Remeasurements on post-employment benefit obligation	27	**(568)**	(287)
Other comprehensive (loss)/income, net of tax		**(552)**	856
Total comprehensive loss		**(118,013)**	(54,828)
(Loss)/profit attributable to:			
Equity holder of the Company		**(118,545)**	(57,295)
Non-controlling interests		**1,084**	1,611
		(117,461)	(55,684)
Total comprehensive (loss)/income attributable to:			
Equity holder of the Company		**(119,094)**	(56,416)
Non-controlling interests		**1,081**	1,588
		(118,013)	(54,828)

* *Denotes amount less than US$1,000*

The accompanying notes form an integral part of these financial statements.

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As at 31 December 2015

	Note	**2015** **US$'000**	2014 US$'000
ASSETS			
Current assets			
Cash and bank deposits	11	**183,900**	241,253
Trade and other receivables	12	**122,352**	111,624
Inventories	13	**39,003**	41,045
Other assets	14	**6,374**	7,010
		351,629	400,932
Non-current assets held-for-sale	15	**452**	3,271
		352,081	404,203
Non-current assets			
Trade and other receivables	12	**-**	11,725
Other assets	14	**5,220**	7,230
Deferred income tax assets	24	**310**	316
Available-for-sale financial assets	16	**985**	1,020
Property, plant and equipment	17	**464,529**	503,486
Goodwill	18	**643,405**	643,405
Intangible assets	19	**39,320**	49,679
		1,153,769	1,216,861
Total assets		**1,505,850**	1,621,064
LIABILITIES			
Current liabilities			
Trade and other payables	20	**172,090**	177,973
Current income tax liabilities	10(b)	**8,731**	8,729
Deferred income		**217**	-
Borrowings	21	**288**	273
Provision	23	**3,000**	2,000
		184,326	188,975
Non-current liabilities			
Borrowings	21	**1,104,833**	1,098,977
Deferred income		**-**	81
Deferred income tax liabilities	24	**9,155**	6,450
Long term benefit obligations	25	**21,324**	22,356
		1,135,312	1,127,864
Total liabilities		**1,319,638**	1,316,839
NET ASSETS		**186,212**	304,225
EQUITY			
Capital and reserves attributable to equity holder of the Company			
Share capital	26	*	*
Capital contribution	26	**698,000**	698,000
Other reserves	27	**(6,446)**	(5,876)
Accumulated losses		**(510,698)**	(392,174)
		180,856	299,950
Non-controlling interests		**5,356**	4,275
Total equity		**186,212**	304,225

* *Denotes amount less than US$1,000*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	← Attributable to equity holder of the Company				→		
	Share capital US$'000	Capital contribution US$'000	Other reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
2015							
Beginning of financial year	*	698,000	(5,876)	(392,174)	299,950	4,275	304,225
Reclassification (Note 27(b)(iii))	-	-	(21)	21	-	-	-
Total comprehensive (loss)/income for the year	-	-	(549)	(118,545)	(119,094)	1,081	(118,013)
End of financial year	*	698,000	(6,446)	(510,698)	180,856	5,356	186,212
2014							
Beginning of financial year	*	698,000	(6,736)	(334,898)	356,366	5,430	361,796
Dividend to non-controlling interests	-	-	-	-	-	(2,743)	(2,743)
Reclassification (Note 27(b)(iii))	-	-	(19)	19	-	-	-
Total comprehensive income/(loss) for the year	-	-	879	(57,295)	(56,416)	1,588	(54,828)
End of financial year	*	698,000	(5,876)	(392,174)	299,950	4,275	304,225

An analysis of the movements in each category within "Other reserves" is presented in Note 27.

** Denotes amount less than US$1,000*

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2015

	Note	**2015 US$'000**	2014 US$'000
Cash flows from operating activities			
Loss after tax		**(117,461)**	(55,684)
Adjustments for:			
- Income tax expense		**18,102**	12,780
- Dividend income		**(22)**	(107)
- Depreciation of property, plant and equipment		**118,766**	132,578
- Impairment of property, plant and equipment		**3,526**	6,327
- Property, plant and equipment written off		**596**	429
- Impairment loss of non-current assets held-for-sale		**1,226**	-
- Amortisation of intangible assets		**15,784**	15,988
- Net gain on disposal of property, plant and equipment		**(511)**	(37,771)
- Net gain on disposal of non-current assets held-for-sale		**(498)**	-
- Interest income		**(1,182)**	(1,803)
- Government grant income		**(153)**	(179)
- Finance expense		**121,909**	120,664
- Provision made		**3,000**	-
- Provision unused		**(2,000)**	-
- Non-trade receivables written off		**1,799**	-
Change in working capital			
- Derivative financial instruments		**-**	331
- Trade and other receivables		**(6,641)**	(4,571)
- Inventories		**2,042**	(7,497)
- Other assets		**1,794**	5,985
- Trade and other payables		**501**	12,733
- Long term benefit obligations		**(1,719)**	146
- Currency translation differences		**-**	(5)
Government grant received		**289**	92
Income tax paid		**(15,310)**	(10,055)
Net cash provided by operating activities		**143,837**	190,381
Cash flows from investing activities			
Purchases of property, plant and equipment		**(96,728)**	(120,185)
Purchases of intangible assets		**(4,487)**	(327)
Purchase of financial assets, available-for-sale		**-**	(96)
Proceeds from disposal of property, plant and equipment		**693**	71,986
Proceeds from disposal of non-current assets held for sale		**2,543**	-
Distributions received from available-for-sale financial assets		**55**	459
Loan to immediate holding corporation		**-**	(11,725)
Repayment of loan from immediate holding corporation		**11,725**	-
Interest received		**1,182**	1,803
Dividend received		**22**	107
Net cash used in investing activities		**(84,995)**	(57,978)
Cash flows from financing activities			
Dividend paid to non-controlling interests		**(696)**	(2,047)
Repayment of finance lease liabilities		**(471)**	(260)
Interest paid		**(115,028)**	(106,649)
Net cash used in financing activities		**(116,195)**	(108,956)
Net (decrease)/increase in cash and cash equivalents		**(57,353)**	23,447
Cash and cash equivalents at beginning of financial year		**241,253**	217,806
Cash and cash equivalents at end of financial year	11	**183,900**	241,253

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Global A&T Electronics Ltd (the "Company") is incorporated and domiciled in Cayman Islands. The address of its registered office is:

P.O. Box 309
Ugland House
Grand Cayman KY1 – 1104
Cayman Islands

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries consist of the provision of test and assembly services for integrated circuits, which have been identified as the Group's operating segments. The principal activities of the subsidiaries are disclosed in Note 37.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2015:

- Amendments to FRS 19 (R) Employee Benefits (Defined benefit plans: Employee Contributions)
- Annual Improvements to FRS – 2012 and 2013

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policy and had no material impact on the amounts reported for the current period or any prior period.

2. Significant accounting policies (continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Rendering of services

Sales derived from provision of services for assembly and testing of semiconductors is recognised during the financial year in which the services are rendered.

2.3 Interest income

Interest income is recognised using the effective interest method.

2.4 Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.5 Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.6 Sales of scrap

Sales of scrap is recognised when a Group entity has delivered the materials and its counterparty has accepted the materials in accordance with the sales contract.

2.7 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

2. **Significant accounting policies** (continued)

2.7 Group accounting (continued)

(a) *Subsidiaries* (continued)

(i) *Consolidation* (continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. **Significant accounting policies** (continued)

2.7 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions* (continued)

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on bargain purchase.

Please refer to Note 2.9 for the subsequent accounting policy on goodwill.

(iii) *Disposals of subsidiaries*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity holders of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

2.8 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost, and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. **Significant accounting policies** (continued)

2.8 Property, plant and equipment (continued)

(a) *Measurement* (continued)

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Freehold land and capital work-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Freehold buildings and improvements	5 - 48 years
Leasehold buildings and improvements	5 - 25 years (not longer than the lease term)
Plant and machinery	3 - 10 years
Furniture, fittings, office equipment and canteen equipment	3 - 5 years
Computer equipment	3 - 5 years
Motor vehicles	2 - 6 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other (losses)/gains - net".

2. Significant accounting policies (continued)

2.9 Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of (i) consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable net assets acquired.

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on the basis of pro-rata the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

2.10 Intangible assets

(a) Acquired patents and licences

Patents and licences acquired as part of business combinations are initially recognised at their fair values at the acquisition date and are subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 6.5 to 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2. Significant accounting policies (continued)

2.10 Intangible assets (continued)

(b) Acquired computer software licences and developed computer software

Acquired computer software licences and developed computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software under development are not amortised. Computer software and licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 8 years.

(c) Acquired customer relationships

Customer relationships acquired as part of business combinations are initially recognised at their fair values at the acquisition date and are subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 10 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.11 Impairment of non-financial assets

Intangible assets
Property, plant and equipment

Intangible assets and property, plant and equipment of the Group are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

2. **Significant accounting policies** (continued)

2.11 Impairment of non-financial assets (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Cash and bank deposits", "Trade and other receivables" and "Other assets" on the consolidated balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

2. **Significant accounting policies** (continued)

2.12 Financial assets (continued)

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale financial assets in the form of investments in non-quoted equity securities are measured at cost if their fair values cannot be measured reliably. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in "Other income" when the Group's right to receive payment is established. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related translation differences. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. **Significant accounting policies** (continued)

2.12 Financial assets (continued)

(e) *Impairment* (continued)

(i) *Loans and receivables* (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.12(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired. If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date. Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2. **Significant accounting policies** (continued)

2.13 Borrowings (continued)

Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan to the extent that its probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

An exchange between an existing borrower or lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.14 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates the derivatives as hedges of highly probable forecast transactions (cash flow hedges).

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

2. **Significant accounting policies** (continued)

2.16 Derivative financial instruments and hedging activities (continued)

Cash flow hedge

The Group has entered into gold par forward contracts and foreign currency forward contracts to hedge the gold price and foreign currency exchange risk arising from the highly probable forecasted purchase of gold wires and transactions in foreign currencies respectively.

The fair value changes on the effective portion of the forward contracts designated as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve. For gold par forward contracts, the amount recognised in other comprehensive income are accumulated in the hedging reserve and transferred to "cost of sales" when the gold wires are consumed. For foreign currency forward contracts, the amount recognised in other comprehensive income are accumulated in the hedging reserve and transferred to "Other (losses)/gains - net" in profit or loss when the hedged forecasted transactions are recognised.

The fair value changes on the ineffective portion of the forward contracts are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2.17 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of currency forwards and gold par forwards are determined using actively quoted forward exchange rates and gold prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These include the use of quoted market prices or dealer quotes for similar instruments and valuation techniques, such as discounted cash flow analyses. In determining these fair values, management evaluates, among other factors, the reliability and appropriateness of the use of the underlying net asset information provided, taking into consideration factors such as industry and sector outlook, other market comparables and other prevailing market factors and conditions.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2. Significant accounting policies (continued)

2.18 Leases

(a) *When the Group is the lessee:*

The Group leases certain property, plant and equipment from non-related parties.

(i) *Lessee - Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the consolidated balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *Lessee - Operating leases*

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

2. **Significant accounting policies** (continued)

2.18 Leases (continued)

(b) *When the Group is the lessor:*

The Group leases certain property, plant and equipment under operating leases to non-related parties.

(i) *Lessor – Operating leases*

Leases of assets where the Group retained substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.19 Research and development costs

Research costs are recognised as an expense in profit or loss when incurred.

Costs incurred on development activities or projects are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(b) management intends to complete the intangible asset and use or sell it;
(c) there is an ability to use or sell the intangible asset;
(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria is recognised as an expense in profit or loss as incurred. Development expenditure previously recognised as an expense in profit or loss is not recognised as an asset in a subsequent period.

2.20 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2. Significant accounting policies (continued)

2.21 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.22 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2. **Significant accounting policies** (continued)

2.23 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. The Group operates both defined contribution and defined benefit plans.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Defined benefit plans*

Defined benefit plans are post-employment benefit that an employee will receive on or after retirement and are plans other than defined contribution plans. Defined benefits plans define the amount of benefits usually dependent on one or more factors such as age, years of service or compensation.

The liability recognised in the consolidated balance sheet in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past-service costs are recognised immediately in profit or loss.

UTAC (Taiwan) Corporation

Certain full time regular employees of the Company's subsidiary, UTAC (Taiwan) Corporation, are covered under a defined benefit plan. The Plan is non-contributory on the part of employees and UTAC (Taiwan) Corporation makes monthly contribution of an amount equal to 2% of the total monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Pension benefits will be paid by UTAC (Taiwan) Corporation to its employees and are computed based on their service years (two units per year for the first 15 service years and one unit per year for each additional service year thereafter). Each employee is limited to 45 units.

2. **Significant accounting policies** (continued)

2.23 Employee compensation (continued)

(b) *Defined benefit plans* (continued)

UTAC Thai Limited

All employees of the Company's subsidiary, UTAC Thai Limited, are eligible to receive benefits upon their retirement under the Special Retirement Compensation Plan ("SRCP"). The SRCP is non-contributory on the part of employees. Pension benefits will be paid by UTAC Thai Limited to its employees and are computed based on 20% of monthly basic salary multiply by the numbers of years in service.

(c) *Other long term benefits*

The measurement of other long term benefits follows that of post-employment defined benefits except that all actuarial gains and losses on other long term employee benefits are recognised immediately in profit or loss.

UTAC Thai Limited

All employees of UTAC Thai Limited are eligible to receive benefits under the long service award plan. The service award payable is determined by the length of the employee's service period.

(d) *Share-based compensation*

The Company's ultimate holding corporation, Global A&T Holdings, operates equity-settled share-based compensation plans. The fair value of the services received from the employees of the group in exchange for the grant of options is recognised as an expense with a corresponding increase in the share options reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

(e) *Termination benefits*

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept that offer. Benefits falling due more than 12 months after the end of reporting period are discounted to their present value.

2. **Significant accounting policies** (continued)

2.24 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The financial statements are presented in United States Dollars, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Changes in fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency exchange differences on the amortised cost of the securities, and other changes in the carrying amount of the security. Currency translation differences on the amortised cost are recognised in profit or loss, and other changes are recognised in other comprehensive income.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2. **Significant accounting policies** (continued)

2.25 Government grants

Grants from the government are recognised as a receivable at their fair value when, there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are included in non-current liabilities as deferred income and are recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets.

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.27 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to insignificant risk of change in value, and with original maturities of three months or less.

2.28 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.29 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction and a sale is considered highly probable rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense in profit or loss. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU"), Assembly and Test, which are expected to benefit from synergies arising from the business combination. The recoverable amounts of the Group's CGU are determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

If management's estimated gross margin is lowered by 1% in each of the forecasted years holding all else constant, the recoverable amount of the Assembly and Test CGU would be reduced by approximately US$51,878,000 and US$31,146,000 (2014: US$48,177,000 and US$32,356,000) respectively. The carrying amount of goodwill would not be impaired.

If management's estimated pre-tax discount rate applied to the discounted cash flows for all the CGU is raised by 1% holding all else constant, the recoverable amount of the Assembly and Test CGU would be reduced by approximately US$72,728,000 and US$99,347,000 (2014: US$96,284,000 and US$163,459,000) respectively. The carrying amount of goodwill would not be impaired.

If management's estimated weighted average revenue growth rate for the next five years applied to the discounted cash flows for Assembly and Test CGU are lowered to 3% and 2% (2014: 1% and 2%) respectively, holding all else constant, the recoverable amount of the Assembly and Test CGU would be reduced by approximately US$44,346,000 and US$18,964,000 (2014: US$34,854,000 and US$39,248,000) respectively. The carrying amount of goodwill would not be impaired.

(b) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

During the financial year, an impairment charge of US$3,526,000 (2014: US$6,327,000) was recognised on certain plant and machinery. The impairment charge recognised for these assets was due to events and circumstances that indicate that the carrying amount would exceed the recoverable amount. The recoverable amount of these plant and machinery has been determined based on fair value less cost to sell.

Fair value was determined by reference to quotations from third party vendors for these assets.

3. Critical accounting estimates, assumptions and judgments (continued)

(c) Uncertain tax positions

The Group is subject to various taxes in numerous jurisdictions in which it operates. These include taxes on income, property, goods and services, and other taxes. In determining the tax liabilities, management is required to estimate their tax payable position based on deductibility of certain expenses and exemptions of certain taxable income due to tax incentives granted in respective tax jurisdictions. The Group submits tax returns and claims with the appropriate government taxing authorities, which are subject to examination and agreement by those taxing authorities. The Group regularly reassesses the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes. The Group has open income tax assessments at the reporting date. As management believes that the income tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions.

4. Sales

	2015 US$'000	2014 US$'000
Services rendered:		
- Test	**238,384**	250,453
- Assembly	**440,683**	483,668
	679,067	734,121

5. Other income

	2015 US$'000	2014 US$'000
Interest income	**1,182**	1,803
Government grant income	**153**	179
Dividend income	**22**	107
Sales of scrap	**2,500**	3,696
Rental income	**206**	455
Service tooling income	**-**	1,411
Management fee income from a related corporation	**255**	147
Other	**753**	1,068
	5,071	8,866

6. Other (losses)/gains - net

	2015 **US$'000**	2014 US$'000
Currency exchange losses – net	**(2,669)**	(3,090)
Net gain on disposal of property, plant and equipment	**511**	37,771
Net gain on disposal of non-current assets held-for-sale	**498**	-
Net fair value loss on derivative financial instruments	**(101)**	-
Other (losses)/gains	**(107)**	506
	(1,868)	35,187

7. Loss before income tax

The following items have been included in arriving at loss before income tax:

	2015 **US$'000**	2014 US$'000
Charging/(crediting):		
Depreciation of property, plant and equipment (Note 17)	**118,766**	132,578
Impairment of property, plant and equipment (Note 17)	**3,526**	6,327
Impairment loss on non-current assets held-for-sale (Note 15)	**1,226**	-
Amortisation of intangible assets (Note 19(d))	**15,784**	15,988
Cost of inventories recognised as an expense included in 'cost of sales'	**148,581**	165,543
Rental on operating leases	**7,735**	7,132
Employee compensation (Note 8)	**198,635**	203,569
Property, plant and equipment written off (Note 17)	**596**	429
Cash flow hedge, reclassified from hedging reserve (Note 27(b)(i))	**3,030**	1,148
Non-trade receivables written off	**1,799**	-
Utilities	**36,824**	43,000
Professional fees	**13,842**	7,463
Provision made (Note 23)	**3,000**	-
Provision unused (Note 23)	**(2,000)**	-

8. Employee compensation

	2015 **US$'000**	2014 US$'000
Wages and salaries	**180,762**	186,260
Employer's contribution to defined contribution plans including Central Provident Fund	**15,365**	14,173
Post-employment benefits under defined benefit pension plans (Note 25(d))	**1,212**	1,780
Long service award	**205**	205
Termination benefits	**1,091**	1,151
	198,635	203,569

9. Finance expenses

	2015 **US$'000**	2014 US$'000
Interest expenses		
- 10% Senior Secured Notes due in 2019	**118,607**	117,348
- Finance lease liabilities	**41**	32
- Others	**107**	130
	118,755	117,510
Revolving credit facility fees (Note 21(a))	**3,154**	3,154
	121,909	120,664

10. Income taxes

(a) Income tax expense

	2015 **US$'000**	2014 US$'000
Tax expense attributable to loss is made up of:		
Current income tax		
- Singapore	**10**	15
- Foreign	**13,439**	13,905
Deferred income tax (Note 24)	**3,608**	(990)
	17,057	12,930
Under/(over) provision in prior financial years		
- Current income tax	**1,841**	(150)
- Deferred income tax (Note 24)	**(796)**	-
	18,102	12,780

Tax incentives

In Taiwan, the Company's subsidiary, UTAC (Taiwan) Corporation ("UTC"), as a profit-seeking enterprise incorporated in Hsinchu Science park, Taiwan, is entitled to certain tax benefits under the Statute of Industrial Innovation which allows UTC to enjoy tax credits on research and development only. The Statute of Industrial Innovation revised research and development tax incentives allows UTC to claim a credit for 15% of its research and development expenditures to offset up to 30% of its income tax in the current year. The tax credits cannot be carried forward and any unused tax credits will be forfeited. This tax incentive applies for a period of 10 years, and is retrospectively effective from 1 January 2010 until 31 December 2019.

Since the Income Basic Tax Act was amended in 2012, most of the tax incentives UTC enjoys have been reduced to the extent of the alternative minimum income tax, which is 12% of the amount otherwise exempted from business income tax. In determining the income tax payable by a profit-seeking enterprise under Taiwan law, the regular income tax, i.e., the traditional income tax payable under the Income Tax Act (after subtraction of investment tax credits), is compared to the Basic Tax calculated under the new law. The Basic Tax is calculated by deducting NT$500,000 from the Basic Income (which is taxable income plus tax-exempt income), and multiplying the difference by a tax rate of 12%, which is adjustable to 15% depending on economic conditions.

10. Income taxes (continued)

(a) Income tax expense (continued)

In Thailand, the Company's subsidiary, UTAC Thai Limited ("UTL") has been granted certain tax exemptions for the assembly and testing of integrated circuits and components, including (i) exemption from payment of import duty on machinery approved by the Board of Investment of Thailand ("BOI"); (ii) exemption from payment of income tax for certain operations for a certain periods; and (iii) exemption from payment of import duty on raw or essential materials used in the manufacturing of export products for a certain period.

As a BOI promoted company, UTL must comply with certain conditions and restrictions provided for in the investment promotion certificates issued by the BOI.

In Singapore, the Company's subsidiary, UTAC Headquarters Pte. Ltd. ("UHQ"), was awarded a 4 plus 6 year Development and Expansion Incentive under the International Headquarters Award by the Economic Development Board of Singapore ("EDB"). Under this incentive, UHQ is able to enjoy a concessionary tax rate of 5% on qualifying income in excess of the base, effective from 1 May 2015, subject to meeting certain conditions as specified by EDB by 31 December 2017.

The tax expense on loss differs from the amount that would arise using the standard rate of income tax as explained below:

	2015 **US$'000**	2014 US$'000
Loss before income tax	**(99,359)**	(42,904)
Tax calculated at Singapore statutory income tax rate of 17% (2014: 17%)	**(16,891)**	(7,294)
Effects of:		
- Different tax rates in other countries	**(1,042)**	418
- Expenses not deductible for tax purposes	**33,107**	24,855
- Income not subjected to tax	**(188)**	(2,972)
- Tax incentives	**(4,159)**	(6,911)
- Additional 10% tax on undistributed earnings in Taiwan	**1,634**	1,716
- Utilisation of previously unrecognised tax benefits	**(1,080)**	(2,967)
- Unrecognised tax benefits	**3,790**	6,085
- Withholding tax on foreign source income	**359**	-
- Tax charge on intercompany transfer of intellectual property	**1,527**	-
Tax charge	**17,057**	12,930

10. **Income taxes** (continued)

(b) Movements in current income tax liabilities

	2015 US$'000	2014 US$'000
Beginning of financial year	**8,729**	4,976
Income tax paid	**(15,310)**	(10,055)
Tax expense	**13,449**	13,920
Under/(over) provision in prior financial years	**1,841**	(150)
Currency translation differences	**22**	38
End of financial year	**8,731**	8,729

11. Cash and bank deposits

	2015 US$'000	2014 US$'000
Cash at bank and on hand	**157,090**	178,547
Short-term bank deposits	**26,810**	62,706
	183,900	241,253

12. Trade and other receivables

	2015 US$'000	2014 US$'000
Current		
Trade receivables - non-related parties	**110,841**	105,087
Less: Allowance for impairment of receivables		
- non-related parties	**(82)**	(76)
	110,759	105,011
Non-trade receivables from non-related parties		
- disposal of property, plant and equipment	**5,850**	-
- other receivables	**1,758**	5,577
Non-trade receivables from immediate holding corporation	**1,321**	37
Non-trade receivables from related corporation	**2,664**	999
	122,352	111,624
Non-current		
Loan to immediate holding corporation	**-**	11,725
Total trade and other receivables	**122,352**	123,349

12. Trade and other receivables (continued)

The current amount due from immediate holding corporation is unsecured, non-interest bearing and repayable on demand, whilst the non-current amount due from immediate holding corporation is unsecured, interest bearing at 10.5% per annum and was repaid during the year.

The non-trade receivables from a related corporation is unsecured, interest-free and repayable on demand.

13. Inventories

	2015	2014
	US$'000	US$'000
Raw materials	**32,848**	35,725
Work-in-progress	**5,898**	5,102
Finished goods	**257**	218
	39,003	41,045

14. Other assets

	2015	2014
	US$'000	US$'000
Current		
Prepayments	**4,689**	5,564
Deposits	**1,142**	1,188
Others	**543**	258
	6,374	7,010
Non-current		
Prepayments	**4,780**	6,770
Others	**440**	460
	5,220	7,230
Total other assets	**11,594**	14,240

15. Non-current assets held-for-sale

During the financial year ended 31 December 2014, the Group has classified certain plant and machinery with low or no utilisation as assets held-for-sale following the approval by management on 24 September 2014 to sell those plant and machinery. The assets held-for-sale are carried at the lower of carrying amount and fair value less costs to sell, as their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. As at 31 December 2014, the sale transaction was expected to be completed by September 2015. Assets amounting to US$2,045,000 were sold in 2015. The remaining non-current assets held-for-sale with carrying amount of US$1,226,000 remain unsold subsequent to September 2015 due to circumstances beyond the Group's control that were previously considered unlikely. Consequently, the Group recognised a full impairment loss on these assets.

15. Non-current assets held-for-sale (continued)

As at 31 December 2015, the Group has classified additional plant and machinery with low or no utilisation as assets held-for-sale following the approval by management on 22 December 2015 to sell those plant and machinery. The assets held-for-sale are carried at the lower of carrying amount and fair value less costs to sell, as their carrying amount is to be recovered principally through a sale transaction rather than continuing use. The sale of these assets is expected to be completed by December 2016.

	2015 US$'000	2014 US$'000
Property, plant and equipment		
Beginning of financial year	**3,271**	-
Classification of property, plant and equipment as assets held-for-sale (Note 17)	**452**	3,271
Disposal during the year	**(2,045)**	-
Impairment loss (Note 7)	**(1,226)**	-
End of financial year	**452**	3,271

16. Available-for-sale financial assets

	2015 US$'000	2014 US$'000
Beginning of financial year	**1,020**	1,383
Additions	**-**	96
Fair value gains recognised in other comprehensive income (Note 27(b)(v))	**20**	-
Distributions	**(55)**	(459)
End of financial year	**985**	1,020

At the balance sheet date, available-for-sale financial assets are analysed as follows:

	2015 US$'000	2014 US$'000
Non-current		
Quoted equity securities:		
- United States of America	**176**	156
Non-quoted equity securities:		
- Taiwan	**807**	862
- United States of America	**2**	2
	985	1,020

Non-quoted equity securities are measured at cost as their fair values cannot be measured reliably.

17. Property, plant and equipment

	Freehold land US$'000	Freehold buildings and improvements US$'000	Leasehold buildings and improvements US$'000	Plant and machinery US$'000	Furniture, fittings, office equipment and canteen equipment US$'000	Computer equipment US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group									
2015									
Cost									
Beginning of financial year	12,150	53,167	104,343	1,143,388	4,833	9,277	1,554	32,232	1,360,944
Additions	-	-	3,327	3,772	325	755	276	81,960	90,415
Transfer in/(out)	-	1,343	1,828	99,854	180	170	174	(103,549)	-
Disposals	-	(41)	(264)	(14,204)	(204)	(842)	(163)	(71)	(15,789)
Write-off	-	-	(2,207)	(247)	(187)	(239)	-	(1)	(2,881)
Reclassified to non-current assets held-for-sale (Note 15)	-	-	-	(3,540)	-	-	-	-	(3,540)
End of financial year	12,150	54,469	107,027	1,229,023	4,947	9,121	1,841	10,571	1,429,149
Accumulated depreciation and accumulated impairment losses									
Beginning of financial year	98	27,113	58,308	759,585	3,673	8,042	639	-	857,458
Depreciation charge	122	1,878	8,785	105,936	530	1,154	361	-	118,766
Disposals	-	-	(221)	(8,382)	(203)	(834)	(117)	-	(9,757)
Write-off	-	-	(1,612)	(247)	(187)	(239)	-	-	(2,285)
Impairment losses	-	-	-	3,526	-	-	-	-	3,526
Reclassified to non-current assets held-for-sale (Note 15)	-	-	-	(3,088)	-	-	-	-	(3,088)
End of financial year	220	28,991	65,260	857,330	3,813	8,123	883	-	964,620
Net book value									
End of financial year	**11,930**	**25,478**	**41,767**	**371,693**	**1,134**	**998**	**958**	**10,571**	**464,529**

17. Property, plant and equipment (continued)

	Freehold land US$'000	Freehold buildings and improvements US$'000	Leasehold buildings and improvements US$'000	Plant and machinery US$'000	Furniture, fittings, office equipment and canteen equipment US$'000	Computer equipment US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group									
2014									
Cost									
Beginning of financial year	11,792	53,099	131,363	1,120,237	5,371	8,393	1,701	9,601	1,341,557
Additions	32	-	7,153	88,627	144	645	492	47,056	144,149
Transfer in/(out)	326	68	4,626	18,747	40	539	-	(24,346)	-
Disposals	-	-	(32,924)	(57,733)	(454)	(292)	(639)	(79)	(92,121)
Write-off	-	-	(5,836)	(42)	(268)	(8)	-	-	(6,154)
Reclassified to non-current assets held-for-sale (Note 15)	-	-	(39)	(26,448)	-	-	-	-	(26,487)
End of financial year	12,150	53,167	104,343	1,143,388	4,833	9,277	1,554	32,232	1,360,944
Accumulated depreciation and accumulated impairment losses									
Beginning of financial year	-	22,922	65,798	705,172	3,793	6,907	808	-	805,400
Depreciation charge	98	4,191	11,067	114,995	526	1,431	270	-	132,578
Disposals	-	-	(13,080)	(43,697)	(402)	(288)	(439)	-	(57,906)
Write-off	-	-	(5,450)	(23)	(244)	(8)	-	-	(5,725)
Impairment losses	-	-	6	6,321	-	-	-	-	6,327
Reclassified to non-current assets held-for-sale (Note 15)	-	-	(33)	(23,183)	-	-	-	-	(23,216)
End of financial year	98	27,113	58,308	759,585	3,673	8,042	639	-	857,458
Net book value									
End of financial year	**12,052**	**26,054**	**46,035**	**383,803**	**1,160**	**1,235**	**915**	**32,232**	**503,486**

17. Property, plant and equipment (continued)

(a) The carrying amount of plant and machinery held under finance leases are US$913,000 (2014: US$857,000) at the balance sheet date.

(b) Included within additions in the consolidated financial statements are plant and machinery acquired under finance leases amounting to US$420,000 (2014: US$416,000).

(c) The Group recognised an impairment loss of US$3,526,000 (2014: US$6,327,000) mainly relating to the write down of obsolete and idle plant and machinery. The carrying amounts of the plant and machinery were reduced to their recoverable amounts based on fair value less cost to sell.

18. Goodwill

Goodwill arising on consolidation

	2015 US$'000	2014 US$'000
Beginning and end of financial year	**643,405**	643,405

Impairment testing of goodwill

Management reviews the business performance of the assembly and test services segment, and goodwill is monitored by the management at the operating segment level.

Goodwill is allocated to the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the business combination.

A segment-level summary of the goodwill allocation is as follows:

	2015 US$'000	2014 US$'000
Test	**348,220**	348,220
Assembly	**295,185**	295,185
	643,405	643,405

The recoverable amount of CGU was determined based on value-in-use. The value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimates growth rates stated below. The growth rate did not exceed the long-term average growth rate for the businesses in which the CGU operates.

Management have determined the forecasted revenues and gross margins based on past` performance and its expectation of market development. Average growth rates used are consistent with forecasts included in industry reports. The discount rates used were pre-tax.

18. Goodwill (continued)

Impairment testing of goodwill (continued)

The table below summarises the key assumptions determined by management in the value-in-use calculations:

	2015		2014	
	Test	**Assembly**	Test	Assembly
Discount rate *	**7.9%**	**8.8%**	7.2%	8.1%
Gross margin ^	**39.9% - 50.1%**	**23.5% - 26.2%**	43.8% - 50.7%	24.0% - 26.1%
Revenue growth rates @	**2.3%**	**3.9%**	2.5%	1.6%
Terminal growth rates #	**1.0%**	**1.0%**	1.0%	1.0%

* *Pre-tax discount rate applied to pre-tax cash flow projections.*
^ *Gross margin disclosed excludes depreciation and amortisation expenses.*
@ *Weighted average growth rate used to extrapolate revenue for the next five years.*
# *Weighted average growth rate used to extrapolate cash flows beyond the fifth year.*

As the recoverable amounts of the CGU are higher than the carrying amounts, no impairment loss is recognised for the financial years ended 31 December 2015 and 31 December 2014.

19. Intangible assets

	Patents and licenses US$'000	**Computer software licences and development costs US$'000**	**Customer relationships US$'000**	**Intangible assets under development US$'000**	**Total US$'000**
Group					
2015					
Beginning of financial year	10,083	2,171	37,425	-	49,679
Additions	-	1,048	-	4,377	5,425
Transfer in/(out)	-	3,952	-	(3,952)	-
Amortisation	(2,793)	(1,249)	(11,742)	-	(15,784)
End of financial year	**7,290**	**5,922**	**25,683**	**425**	**39,320**
2014					
Beginning of financial year	12,876	3,297	49,167	-	65,340
Additions	-	327	-	-	327
Amortisation	(2,793)	(1,453)	(11,742)	-	(15,988)
End of financial year	**10,083**	**2,171**	**37,425**	**-**	**49,679**

19. Intangible assets (continued)

(a) Patents and licences

	2015 US$'000	2014 US$'000
Beginning of financial year	**10,083**	12,876
Amortisation charge	**(2,793)**	(2,793)
End of financial year	**7,290**	10,083
Cost	**28,113**	28,113
Accumulated amortisation	**(20,823)**	(18,030)
Net book value	**7,290**	10,083

(b) Computer software licences and development costs

	2015 US$'000	2014 US$'000
Beginning of financial year	**2,171**	3,297
Purchase of software licenses	**1,048**	327
Transfer in	**3,952**	-
Amortisation charge	**(1,249)**	(1,453)
End of financial year	**5,922**	2,171
Cost	**20,698**	16,610
Accumulated amortisation	**(14,776)**	(14,439)
Net book value	**5,922**	2,171

(c) Customer relationships

	2015 US$'000	2014 US$'000
Beginning of financial year	**37,425**	49,167
Amortisation charge	**(11,742)**	(11,742)
End of financial year	**25,683**	37,425
Cost	**117,548**	117,548
Accumulated amortisation	**(91,865)**	(80,123)
Net book value	**25,683**	37,425

19. Intangible assets (continued)

(d) Amortisation expense included in the consolidated statement of comprehensive income is analysed as follows:

	2015 US$'000	2014 US$'000
Cost of sales	**1,923**	2,104
Selling, general and administrative expenses	**12,209**	11,981
Research and development expenses	**1,652**	1,903
Total (Note 7)	**15,784**	15,988

20. Trade and other payables

	2015 US$'000	2014 US$'000
Trade payables to non-related parties		
- Purchase of property, plant and equipment	**32,280**	39,013
- Development of intangible assets	**938**	-
- Other purchases	**49,039**	46,609
	82,257	85,622
Other payables – non-related parties	**8,299**	6,347
Accrued interest payable	**46,969**	46,969
Other accrual for operating expenses	**32,803**	36,230
Dividends payable to non-controlling interests	**-**	696
Deposits and advances from customers	**1,762**	2,109
Total trade and other payables	**172,090**	177,973

21. Borrowings

	2015 US$'000	2014 US$'000
Current		
Finance lease liabilities - secured (Note 22)	**288**	273
Non-current		
10% Senior Secured Notes due in 2019	**1,104,565**	1,098,684
Finance lease liabilities - secured (Note 22)	**268**	293
	1,104,833	1,098,977
Total borrowings	**1,105,121**	1,099,250

21. **Borrowings** (continued)

(a) 10% Senior Secured Notes due in 2019

On 7 February 2013, a subsidiary of the Company, Global A&T Electronics Ltd ("GATE"), issued US$625,000,000 in aggregate principal amount of 10% Senior Secured Notes due in 2019 (the "notes") for proceeds of US$607,500,000 after deducting transaction costs of US$17,500,000. The proceeds from the notes were used to prepay an existing carrying amount of US$619,919,000 of bank borrowings. Interest on the notes is payable on 1 February and 1 August of each year, beginning on 1 August 2013. Additionally, subject to the satisfaction of certain requirements, a US$125,000,000 revolving credit facility (the "revolving facility") has been made available to GATE.

On 30 September 2013, GATE issued additional principal amount of 10% Senior Secured Notes due 2019 (the "additional notes") in exchange for the outstanding bank borrowings in a private offer to exchange (the "Exchange Offer") with the lenders, based on an exchange ratio of every US$1,000 of outstanding principal amount for a US$925 principal amount of the additional notes. The carrying amount of US$523,330,000 in bank borrowings were exchanged for US$502,257,000 of the additional notes.

The indebtedness under the notes, additional notes and the revolving facility will be secured by, pursuant to various intercreditor arrangements, a first priority charge over specified assets of GATE and certain of its subsidiaries, excluding UTAC (Taiwan) Corporation, UTAC Thai Holdings Limited and UTAC Thai Limited which will provide security upon the completion and satisfaction of certain requirements, as well as over the shares of certain of its subsidiaries, excluding UTAC (Taiwan) Corporation and UTAC Thai Limited whose shares will be pledged as security upon the completion and satisfaction of certain requirements. In addition, GATE and certain of its subsidiaries (excluding UTAC Thai Limited and UTAC Thai Holdings Limited, pending the completion and satisfaction of certain requirements) will jointly and severally guarantee the repayment of the notes, additional notes and the revolving facility.

As at the balance sheet date, the fair values of 10% Senior Secured Notes due in 2019 is US$886,137,000 (2014: US$994,128,000). The fair value is determined from the trading market prices of the 10% Senior Secured Notes as of each balance sheet date and is within Level 1 of the fair value hierarchy.

(b) Finance lease liabilities – secured

Finance lease liabilities of the Group are secured by the rights to the leased plant and machinery (Note 17(a) and (b)), which will revert to the lessor in the event of default by the Group.

The carrying amount of the finance lease liabilities approximated their fair values at the balance sheet date.

(c) Undrawn and unutilised facilities

As at the balance sheet date, the Group has undrawn revolving credit facilities amounting to US$125,000,000 (2014: US$125,000,000) (Note 21(a)), unutilised bank guarantee facilities amounting to US$304,000 (2014: US$1,928,000) and other undrawn credit facilities amounting to US$10,576,000 (2014: US$11,353,000).

22. Finance lease liabilities

	2015	2014
	US$'000	US$'000
Minimum lease payments due:		
- Not later than one year	**313**	299
- Between two and five years	**285**	306
	598	605
Less: Future finance charges	**(42)**	(39)
Present value of finance lease liabilities	**556**	566
Analysed as follows:		
- Not later than one year (Note 21)	**288**	273
- Between two and five years (Note 21)	**268**	293
	556	566

The liabilities are secured on property, plant and equipment acquired under finance lease contracts (Note 17(a) and (b)). Lease terms range from 1 to 4 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents.

23. Provisions

Movement in provisions is as follows:

	2015	2014
	US$'000	US$'000
Beginning of financial year	**2,000**	2,000
Provision made (Note 7)	**3,000**	-
Provision unused (Note 7)	**(2,000)**	-
End of financial year	**3,000**	2,000

The provisions are in respect of certain legal claims brought against the Group or other contractual disputes. The recognition and measurement of these provisions are re-assessed at balance sheet date based on the likely amount at which settlement of the disputes will take place. The directors consider that disclosure of further details of the above on a case-by-case basis could seriously prejudice the Group's interests, including in the pending litigation.

During the financial year, the Group made a provision relating to an audit dispute regarding a packaging technology license agreement between Tessera Inc. ("Tessera") and United Test and Assembly Center Ltd ("USG"). USG reached an agreement with Tessera to resolve the dispute, and paid Tessera US$3,086,000 on 11 March 2016 to resolve all issues relating to the license agreement. With this settlement, the license agreement has been terminated as of 31 December 2015 with no further royalty payments due to Tessera.

Having considered this and other developments, the Group is of the view that no further provision for any disputes and/or claims is necessary as of 31 December 2015.

24. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2015 **US$'000**	2014 US$'000
Deferred income tax assets:		
- To be recovered within one year	**310**	316
Deferred income tax liabilities:		
- To be settled within one year	**(52)**	(2,963)
- To be settled after one year	**(9,103)**	(3,487)
	(9,155)	(6,450)

The movement in the deferred income tax account is as follows:

	2015 **US$'000**	2014 US$'000
Beginning of financial year	**(6,134)**	(6,938)
Tax (charged)/credited to:		
- Profit or loss (Note 10(a))	**(2,812)**	990
- Equity	**120**	82
Currency translation differences	**(19)**	(268)
End of financial year	**(8,845)**	(6,134)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has the following unrecognised tax losses and capital allowances at the balance sheet date:

	2015 **US$'000**	2014 US$'000
Tax losses	**134,999**	130,288
Capital allowances	**-**	92,377

The unrecognised tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

The unrecognised tax losses of US$97,602,000 (2014: US$101,999,000) and capital allowances of US$ Nil (2014: US$92,377,000) of the Group do not have expiry dates.

24. Deferred income taxes (continued)

The remaining unrecognised tax losses expire in the following years:

	2015 US$'000	2014 US$'000
Tax losses		
2017	**5,768**	6,093
2018	**8,785**	9,280
2019	**12,227**	12,916
2020	**10,617**	-
	37,397	28,289

No deferred tax benefits in respect of the above tax losses have been recognised in the financial statements of the Group at the balance sheet date as its realisation is not probable.

Deferred income tax liabilities of US$75,018,000 (2014: US$78,032,000) have not been recognised for the withholding tax and corporate income tax that would be payable on the unremitted earnings of certain subsidiaries. The Group is able to control the timing of the distribution and no distribution is anticipated in the foreseeable future. Such amounts are permanently reinvested. These unremitted earnings totalled US$574,747,000 (2014: US$617,207,000) as at 31 December 2015.

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

Deferred income tax assets

	Tax depreciation US$'000	Impairment losses US$'000	Post-employment benefits US$'000	Tax losses US$'000	Other US$'000	Total US$'000
Group						
2015						
Beginning of financial year	-	50	2,017	427	1,316	3,810
Tax credited/(charged) to:						
- Profit or loss	510	254	44	(15)	(71)	722
- Equity	-	-	119	-	-	119
Currency translation differences	-	-	-	-	(19)	(19)
End of financial year	510	304	2,180	412	1,226	4,632
2014						
Beginning of financial year	-	235	2,311	2,325	1,711	6,582
Tax (charged)/credited to:						
- Profit or loss	-	(189)	(101)	(1,898)	(353)	(2,541)
- Equity	-	-	37	-	-	37
Currency translation differences	-	4	(230)	-	(42)	(268)
End of financial year	-	50	2,017	427	1,316	3,810

24. Deferred income taxes (continued)

Deferred income tax liabilities

	Tax depreciation/ amortisation US$'000	Other US$'000	Total US$'000
Group			
2015			
Beginning of financial year	(8,599)	(1,345)	(9,944)
Tax (charged)/credited to:			
- Profit or loss	(3,536)	2	(3,534)
- Equity	-	1	1
End of financial year	(12,135)	(1,342)	(13,477)
2014			
Beginning of financial year	(12,127)	(1,393)	(13,520)
Tax credited to:			
- Profit or loss	3,528	3	3,531
- Equity	-	45	45
End of financial year	(8,599)	(1,345)	(9,944)

25. Long term benefit obligations

	2015 US$'000	2014 US$'000
Post-employment benefit obligations	**20,051**	21,065
Other long term benefit obligations	**1,273**	1,291
	21,324	22,356

(a) The post-employment benefit obligations under defined benefit plans recognised in the balance sheet are as follows:

	2015 US$'000	2014 US$'000
Present value of funded obligations	**21,581**	22,462
Fair value of plan assets	**(1,530)**	(1,397)
Deficit of funded plans, representing liabilities recognised in the balance sheet	**20,051**	21,065
Present value of defined post-employment benefit obligations	**21,581**	22,462
Fair value of plan assets	**(1,530)**	(1,397)
Deficit	**20,051**	21,065

The plan assets consist of bank deposits contributed monthly in accordance with local laws and money market investments.

25. Long term benefit obligations (continued)

(b) Movement in the defined post-employment benefit obligation is as follows:

	2015 US$'000	2014 US$'000
Beginning of financial year	22,462	22,151
Current service cost	572	1,055
Interest cost	668	755
Remeasurements:		
- Losses from change in financial assumptions	568	1,155
- Experiences losses/(gains)	126	(809)
	694	346
Benefits paid	(1,249)	(1,283)
Currency translation differences	(1,566)	(562)
End of financial year	21,581	22,462

(c) Movement in the fair value of plan assets relating to defined post-employment benefit obligations is as follows:

	2015 US$'000	2014 US$'000
Beginning of financial year	(1,397)	(1,535)
Expected return on plan assets	(28)	(30)
Remeasurements:		
- Experiences gains	(7)	(22)
Contributions paid	(142)	(161)
Benefits paid	-	269
Currency translation differences	44	82
End of financial year	(1,530)	(1,397)

(d) The amounts recognised in profit or loss relating to post-employment benefit obligations are as follows:

	2015 US$'000	2014 US$'000
Current service cost	572	1,055
Interest cost	668	755
Expected return on plan assets	(28)	(30)
Total, included in "Employee compensation" (Note 8)	1,212	1,780

25. Long term benefit obligations (continued)

(e) The principal actuarial assumptions used for post-employment defined benefit obligations are as follows:

	2015	2014
Discount rate	**1.70% - 3.70%**	2.00% - 3.90%
Future salary increases	**3.00% - 10.00%**	3.00% - 10.00%

26. Share capital / Capital contribution from immediate holding corporation

The Company's share capital comprises 200 (2014: 200) fully paid-up ordinary shares with par value of US$1.00 (2014: US$1.00), amounting to a total of US$200 (2014: US$200), for the purposes of incorporation.

A capital contribution of US$698,000,000 was made by the immediate holding corporation of the Company, during the financial period from 22 June 2007 (date of incorporation) to 31 December 2007, for the purposes of funding part of the acquisition of a subsidiary.

27. Other reserves

		2015	2014
		US$'000	US$'000
(a)	Composition:		
	Hedging reserve – cash flow hedge (Note 27(b)(i))	**-**	-
	Currency translation reserve (Note 27(b)(ii))	**183**	183
	Share option reserve (Note 27(b)(iii))	**72**	93
	Long term benefit reserve (Note 27(b)(iv))	**(6,716)**	(6,152)
	Fair value reserve – available-for-sale financial assets (Note 27(b)(v))	**15**	-
		(6,446)	(5,876)

27. Other reserves (continued)

(b) Movements:

		2015 US$'000	2014 US$'000
(i)	*Hedging reserve - cash flow hedge*		
	Beginning of financial year	-	(1,148)
	Fair value losses	(3,030)	-
	Reclassified to profit and loss	3,030	1,148
	End of financial year	-	-
(ii)	*Currency translation reserve*		
	Beginning of financial year	183	188
	Net currency translation differences of financial statements of foreign subsidiaries and associated company	*	(5)
	End of financial year	183	183
(iii)	*Share option reserve*		
	Beginning of financial year	93	112
	Employee shares option scheme - Share options expired	(21)	(19)
	End of financial year	72	93
(iv)	*Long term benefit reserve*		
	Beginning of financial year	(6,152)	(5,888)
	Remeasurements	(687)	(324)
	Tax on remeasurements	119	37
	Less: Non-controlling interests	4	23
		(564)	(264)
	End of financial year	(6,716)	(6,152)
(v)	*Fair value reserve - available-for-sale financial assets*		
	Beginning of financial year	-	-
	Fair value gain	20	-
	Tax on remeasurements	(4)	-
	Less: Non-controlling interests	(1)	-
		15	
	End of financial year	15	-

** Denotes amount less than US$1,000*

28. Share-based payment

On 6 February 2009, Global A&T Holdings ("GATH"), the Company's ultimate holding corporation, adopted a Management Equity Incentive Plan (the "Plan") for the benefit of key management team members and other executives of the Group. The Plan governs the award of options to purchase ordinary shares of GATH ("Options"), and the award of restricted ordinary shares of GATH to certain eligible persons.

The Plan is administered by GATH's board of directors or a committee appointed by the board which can determine the eligible participants, the exercise price and vesting date of the Options. Upon termination of an option holder's employment, all Options that have not become exercisable shall expire and those Options that have become exercisable will expire a certain period of time after the employment is terminated depending on the manner in which the employment is terminated. On 24 August 2010, the GATH Board granted fully vested options exercisable into ordinary shares of GATH to key management personnel and other employees of the Group. There was no share options granted subsequent to 24 August 2010.

The number and exercise price of share options are as follows:

	Exercise price US$	Number of options '000
2015		
Beginning of financial year	1.00	313
Share options expired	1.00	(69)
End of financial year	1.00	244
2014		
Beginning of financial year	1.00	376
Share options expired	1.00	(63)
End of financial year	1.00	313

Stock options were valued at their granted date fair value using the Binomial valuation model. Valuations incorporate several variables, including expected term, expected volatility, and a risk-free interest rate.

The expected term represents the contractual life of the options. The expected volatility input is measured at the standard deviation of statistical analysis of weekly volatility of share prices of comparable publicly listed companies. The risk-free interest rate is based on zero-coupon United States Treasury yields at the date of valuation.

The fair value of the option granted in 2010 was estimated using the Binomial valuation model with the following assumptions:

Expected term of option	7.0 years
Expected volatility	43.69%
Risk-free interest rate	1.91%

29. Contingent liabilities

The Group is subject to claims and litigations that arise in the normal course of business. The Group accrues liability associated with these claims and litigations when they are probable and reasonably estimated.

(a) Complaint filed by certain noteholders

In February 2014, a complaint was filed in the Supreme Court of the State of New York, New York County, by certain purported holders of GATE's Senior Secured Notes due 2019, alleging certain claims in relation to the issuance of the $502.3 million in aggregate principal amount of Senior Secured Notes on 30 September 2013. The claims asserted included alleged breaches of GATE's intercreditor agreement and indenture, fraudulent inducement and fraud with respect to certain plaintiffs' purported purchases of the Senior Secured Notes. The complaint sought monetary damages and declaratory relief, including a declaration that the issuance of the Senior Secured Notes on 30 September 2013 caused an event of default under the indenture. On 14 July 2015, the court granted GATE's motion to dismiss and dismissed the February 2014 complaint in its entirety. On 21 July 2015, certain plaintiffs filed a notice of intent to appeal the court's decision and, on 8 September 2015, those plaintiffs-appellants filed a brief and record in support of their appeal. GATE filed its opposition papers on 16 November 2015, and the plaintiffs-appellants filed their reply papers on 16 December 2015. The appellate argument was initially noticed for the January 2016 appellate term in the Appellate Division of the Supreme Court of the State of New York, First Department, but was subsequently rescheduled by the court to the April 2016 appellate term. The Group continues to be of the view that the 30 September 2013 exchange transaction fully complied with the intercreditor agreement and the indenture and will vigorously oppose the appeal of the court's decision dismissing the February 2014 complaint in the appellate argument. The Group will inform stakeholders promptly of any updates on the appellate proceedings.

(b) Litigation with Tessera

On 30 September 2010, Tessera, Inc. ("Tessera") filed a complaint against UTAC (Taiwan) Corporation ("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 16 March 2011. On 28 March 2012, the court granted UTC's motion to dismiss with leave for Tessera to file an amended complaint by 19 April 2012. Tessera filed an amended complaint on 19 April 2012, and UTC filed its answer on 17 May 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 31 March 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 8 July 2014, Tessera identified patents that it contends cover UTC's packages. The parties have completed fact and expert discovery concerning Tessera's claims and also have submitted summary judgment motions, on which the Court heard oral argument on 25 February 2016.

29. Contingent liabilities (continued)

(b) Litigation with Tessera (continued)

By order dated 29 February 2016, the Court has scheduled trial to begin on 30 August 2016. The Court also has directed that the parties participate in a mandatory settlement conference with a magistrate judge by 30 April 2016. UTC will continue to vigorously defend its interests in this suit. The case is ongoing.

(c) Suit filed by Amkor Technology

On 4 April 2014, Amkor Technology, Inc. ("Amkor") filed a complaint against GATE and certain of its subsidiaries (the "defendants") in the Superior Court of Arizona. The suit relates to patent licenses between Amkor and certain of GATE's subsidiaries. The defendants filed a motion to dismiss Amkor's complaint on 12 August 2014 and on 5 January 2015, the court dismissed 7 out of the 9 claims made by Amkor in the complaint. On 13 February 2015, Amkor filed an amended complaint in which it reasserted the 2 claims that had not been dismissed and 1 claim that had been dismissed. Amkor's amended complaint also confirmed that it is not seeking to reassert 6 of the claims that were dismissed, but is reserving a right to appeal the dismissal of those claims. The remaining 3 claims made by Amkor relate to the payment of royalties by certain of GATE's subsidiaries, a claim against UTAC Hong Kong Limited ("UHK", a subsidiary of the Company, formerly known as ASAT Ltd.) that certain alleged events triggered a right for Amkor to seek to purchase certain patents belonging to ASAT Ltd. and that ASAT Ltd. allegedly breached the confidentiality provisions of the license, and a claim for breach of an implied covenant of good faith and fair dealing. On 24 March 2015, the defendants filed a motion to dismiss the claims against UHK and the defendants filed an answer to the other claims. In addition, on 28 July 2015, the defendants filed a motion for partial summary judgment against Amkor's royalty claim against one of GATE's subsidiaries, UTAC Thai Limited ("UTL"), on the basis that UTL ceased to be covered by the royalty-bearing license when it ceased to be a subsidiary of United Test and Assembly Center Limited in September 2010. On 11 September 2015, the court issued an order providing for limited discovery on the issues raised by defendants' motion for partial summary judgment. The defendants will continue to vigorously defend their interests in this suit. The case is ongoing.

The Group has disclaimed the liabilities. Other than as disclosed in Note 23, no provision in relation to these claims has been recognised. The Group has received advice from its legal consultants and is of the view that it has substantial defences to all the above lawsuits and intends to vigorously defend each of them.

30. Commitments

(a) Capital commitments

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

	2015	2014
	US$'000	US$'000
Property, plant and equipment	**18,095**	16,605

30. Commitments (continued)

(b) Operating lease commitments - where the Group is a lessee

The Group has a piece of land under non-cancellable operating leases for a 30-year period commencing 1 October 1994 and renewable for a further 30 years subject to the fulfilment of certain conditions. The Group leases three pieces of lands under non-cancellable operating leases for 13.7-year, 19.4-year and 19.4-year period commencing 13 May 2011, 1 September 2015 and 1 September 2015 respectively.

The Group leases a piece of land and building under a non-cancellable operating lease for a 5-year period commencing 1 November 2012 and has an option to purchase the land and building at the end of the 5-year period.

The Group also leases two buildings and its associated facilities under non-cancellable operating leases commencing 1 January 2008 for 10.7-year and 11.6-year periods respectively and renewable for further 6 months before the end of the respective leases.

The Group also leases other pieces of lands, several offices and plant and machinery under non-cancellable operating leases. The leases have varying terms and renewal rights.

Lease terms for lands, building, offices and plant and machinery do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents. The rental expenses on operating leases charged to profit or loss during the financial year is disclosed in Note 7.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2015 **US$'000**	2014 US$'000
Not later than one year	**6,226**	7,053
Between one and five years	**19,739**	18,871
Later than five years	**2,072**	4,745
	28,037	30,669

31. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performances. The Group uses derivative financial instruments such as foreign exchange contracts and gold par forward contracts to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes policies such as risk identification and measurements, exposure limits and hedging strategies. Financial risk management is carried out by finance personnel.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, Thailand, the People's Republic of China and Taiwan. Entities in the Group regularly transact in currencies other than the functional currency of the respective entities in the Group, which is United States Dollar ("USD").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies, primarily Singapore Dollar ("SGD"), Thailand Baht ("THB"), Taiwan Dollar ("TWD"), Japanese Yen ("JPY") and Renminbi ("RMB").

To manage the currency risk, the Group may enter into currency forwards to hedge primarily against the USD from time to time. The Group Treasury's risk management policy is to hedge certain percentage of the monthly forecasted foreign currency denominated operating expenses (mainly salaries and utilities), depending on the forward rates negotiated with the respective banks and subject to approval by the Group's Chief Financial Officer. The Group's forward contracts qualified as cash flow hedges against highly probable forecasted transactions in foreign currencies.

31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	USD US$'000	SGD US$'000	THB US$'000	TWD US$'000	JPY US$'000	RMB US$'000	Other US$'000	Total US$'000
At 31 December 2015								
Financial assets								
Cash and bank deposits	156,915	4,987	11,462	1,034	315	8,671	516	183,900
Trade and other receivables	107,886	1	8,865	2,754	3	2,313	530	122,352
Deposits	59	55	-	612	-	416	-	1,142
Total financial assets	264,860	5,043	20,327	4,400	318	11,400	1,046	307,394
Financial liabilities								
Borrowings	(1,104,565)	-	(556)	-	-	-	-	(1,105,121)
Trade and other payables	(138,122)	(10,288)	(9,695)	(1,149)	(1,728)	(10,340)	(768)	(172,090)
Total financial liabilities	(1,242,687)	(10,288)	(10,251)	(1,149)	(1,728)	(10,340)	(768)	(1,277,211)
Net financial (liabilities)/assets	(977,827)	(5,245)	10,076	3,251	(1,410)	1,060	278	(969,817)
Less: Net financial liabilities denominated in USD functional currency	977,827	-	-	-	-	-	-	977,827
Net currency exposure	-	(5,245)	10,076	3,251	(1,410)	1,060	278	8,010

	USD US$'000	SGD US$'000	THB US$'000	TWD US$'000	JPY US$'000	RMB US$'000	Other US$'000	Total US$'000
At 31 December 2014								
Financial assets								
Cash and bank deposits	194,531	11,649	12,138	15,015	288	7,306	326	241,253
Trade and other receivables	103,178	102	10,174	2,636	-	6,686	573	123,349
Deposits	62	66	-	632	-	428	-	1,188
Total financial assets	297,771	11,817	22,312	18,283	288	14,420	899	365,790
Financial liabilities								
Borrowings	(1,092,584)	-	(6,666)	-	-	-	-	(1,099,250)
Trade and other payables	(147,571)	(11,715)	(5,573)	(3,611)	(1,142)	(6,401)	(1,960)	(177,973)
Total financial liabilities	(1,240,155)	(11,715)	(12,239)	(3,611)	(1,142)	(6,401)	(1,960)	(1,277,223)
Net financial (liabilities)/assets	(942,384)	102	10,073	14,672	(854)	8,019	(1,061)	(911,433)
Less: Net financial liabilities denominated in USD functional currency	942,384	-	-	-	-	-	-	942,384
Net currency exposure	-	102	10,073	14,672	(854)	8,019	(1,061)	30,951

31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the SGD, THB, TWD, JPY, RMB change against the USD by 3% (2014: 2%), 4% (2014: 1%), 3% (2014: 2%), 2% (2014: 6%) and 2% (2014: 1%) respectively, with all other variables including tax rate held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease) in loss after tax	
	2015	2014
	US$'000	US$'000
SGD against USD		
- strengthened	**131**	(2)
- weakened	**(131)**	2
THB against USD		
- strengthened	**(322)**	(81)
- weakened	**322**	81
TWD against USD		
- strengthened	**(81)**	(258)
- weakened	**81**	258
JPY against USD		
- strengthened	**23**	43
- weakened	**(23)**	(43)
RMB against USD		
- strengthened	**(16)**	(60)
- weakened	**16**	60

(ii) Price risk

The Group was exposed to changes in gold prices arising from the gold par forward contracts held by the Group which are classified on the consolidated balance sheet as derivative financial instruments. These gold par forward contracts qualified as cash flow hedges against highly probable forecast purchase of gold wires.

The Group has no outstanding gold forward contracts as at 31 December 2014 and 2015.

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheet as available-for-sale financial assets. These securities are listed in the United States of America.

The Group has insignificant exposure to equity price risk.

31. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group have no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group have no exposure to interest rate risk as their interest-bearing liabilities bear fixed interest rate.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with credit worthy institutions to minimise counterparty risk.

The Group have concentration of credit risk in respect of a few major customers. The trade receivables of the Group comprise 4 debtors (2014: 4 debtors) that individually represented 5% - 15% (2014: 5% – 14%) of trade receivables. Management believes that the concentration of credit risk in trade receivables is mitigated substantially by their credit evaluation process, credit policies, credit control, collection procedures and trade credit insurance cover, and also believes that no significant credit risk is inherent in the Group's trade receivables in the current financial year, which have not already been impaired.

As the Group does not hold any significant collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments, including derivative financial instruments, presented on the consolidated balance sheets.

The Group's credit risk exposure on trade receivables are largely from multi-national corporations and other established corporations within the semiconductor industry.

31. Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with higher credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	2015 US$'000	2014 US$'000
Group		
Past due < 3 months	**22,524**	8,650
Past due 3 to 6 months	**1,335**	384
Past due over 6 months	**82**	532
	23,941	9,566

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2015 US$'000	2014 US$'000
Gross amount	**82**	76
Less: Allowance for impairment	**(82)**	(76)
	-	-
Balance at beginning of financial year	**76**	402
Allowance made	**6**	28
Allowance utilised	**-**	(354)
Balance at end of financial year	**82**	76

The impaired trade receivables arise mainly from sales to specific customers which have defaulted payments due to going concern issues. The Group has since ceased sales to these customers.

31. Financial risk management (continued)

(c) Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash and cash equivalents, continuing cash generated from operations and undrawn credit facilities (Note 21(c)) to enable them to meet their normal operating commitments, including the repayment of interest arising from borrowings.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year US$'000	Between one and two years US$'000	Between two and five years US$'000	Over five years US$'000	Total US$'000
Group					
At 31 December 2015					
Trade and other payables	(172,090)	-	-	-	(172,090)
Borrowings	(115,199)	(115,049)	(1,249,723)	-	(1,479,971)
Total	(287,289)	(115,049)	(1,249,723)	-	(1,652,061)
Group					
At 31 December 2014					
Trade and other payables	(177,973)	-	-	-	(177,973)
Borrowings	(115,154)	(114,886)	(1,364,780)	-	(1,594,820)
Total	(293,127)	(114,886)	(1,364,780)	-	(1,772,793)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the return of capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on debt to equity ratio. The debt to equity ratio is calculated as total borrowings divided by total capital. Total borrowings (including current and non-current borrowings) are as shown in the consolidated balance sheet. Total capital is calculated as equity plus total borrowings.

	2015 US$'000	2014 US$'000
Total borrowings	**1,105,121**	1,099,250
Total equity	**186,212**	304,225
Total capital	**1,291,333**	1,403,475
Debt to equity ratio	**85.6%**	78.3%

31. Financial risk management (continued)

(d) Capital risk (continued)

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 2015.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial assets/(liabilities) measured at fair values

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2015				
Assets				
Available-for-sale financial assets	176	-	-	176
2014				
Assets				
Available-for-sale financial assets	156	-	-	156

There were no transfers between level 1 and 2 during the financial years ended 31 December 2014 and 2015.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

During the financial years ended 31 December 2014 and 2015, no derivative financial instruments were transferred from Level 2 to Level 3.

There were no changes in valuation techniques during the financial year.

31. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is disclosed on the face of the consolidated balance sheet and in Note 16, except for the following:

	2015	2014
	US$'000	US$'000
Loans and receivables	**307,394**	365,790
Financial liabilities at amortised cost	**1,277,211**	1,277,223

(g) Financial instruments subject to enforceable master netting arrangements

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are no financial assets or liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2014 and 2015.

32. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Provision of services

	Group	
	2015	2014
	US$'000	US$'000
Payments made on behalf and reimbursed for related corporations	-	1,151
Settlement of professional fees on behalf of immediate holding corporation	**5,532**	-
Management fee income recharged to a related corporation	**4,236**	1,543

Outstanding balances at 31 December 2015 and 2014, arising from transactions with related corporations, are unsecured and payable within 12 months from balance sheet date and are disclosed in Note 12.

(b) Key management personnel compensation

	2015	2014
	US$'000	US$'000
Wages and salaries	**5,967**	5,474
Termination benefits	**239**	-
Employer's contribution to defined contribution plans, including Central Provident Fund	**117**	75
	6,323	5,549

33. Immediate and ultimate holding corporations

The Company's immediate holding corporation is UTAC Holdings Ltd., incorporated in Singapore. The Company's ultimate holding corporation is Global A&T Holdings, incorporated in Cayman Islands. Global A&T Holdings is jointly controlled by TPG Capital and Affinity Equity Partners.

34. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee (the "Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and other senior management.

The Exco reviews the financial information of assembly and test services segment periodically as part of the overall performance evaluation and resource allocation decision making process.

No operating segments have been aggregated to form the above reportable segments.

Production facilities in Asia are engaged in the test and assembly services for integrated circuits used in a mixed signal and logic products, analogy and memory products, all of which are used primarily in the communications and consumer and computing end-markets. Other geographic locations are engaged in the marketing of these services.

The segment information provided to the Exco for the reportable segments are as follows:

	Assembly US$'000	Test US$'000	Total US$'000
2015			
Segment sales	**440,683**	**238,384**	**679,067**
Segment gross profit	**53,542**	**55,786**	**109,328**
Segment assets			
Property, plant and equipment	**149,162**	**215,437**	**364,599**
Goodwill	**295,185**	**348,220**	**643,405**
Intangible assets	**13,886**	**822**	**14,708**
	458,233	**564,479**	**1,022,712**
2014			
Segment sales	483,668	250,453	734,121
Segment gross profit	62,650	59,277	121,927
Segment assets			
Property, plant and equipment	177,540	233,135	410,675
Goodwill	295,185	348,220	643,405
Intangible assets	18,804	520	19,324
	491,529	581,875	1,073,404

The revenue reported to the Exco is measured in a manner consistent with that in the consolidated statements of comprehensive income.

34. Segment information (continued)

Gross profit of the operating segments is one of the performance measurement assessed by the Exco. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Corporate Treasury department, which manages the cash position of the Group.

(a) Reconciliations

(i) Segment profits

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

	2015	2014
	US$'000	US$'000
Segment gross profit of reportable segments	**109,328**	121,927
Other income	**5,071**	8,866
Other (losses)/gains – net	**(1,868)**	35,187
Selling, general and administrative expenses	**(71,587)**	(65,438)
Research and development expenses	**(9,240)**	(11,109)
Finance expenses	**(121,909)**	(120,664)
Other operating expenses	**(9,154)**	(11,673)
Loss before income tax	**(99,359)**	(42,904)

(ii) Segment assets

The amounts provided to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Exco monitors the property, plant and equipment and intangible assets attributable to each segment. All other assets are not allocated to reportable segments and are not monitored at the segment level.

Segment assets are reconciled to total assets as follows:

	2015	2014
	US$'000	US$'000
Segment assets for reportable segments	**1,022,712**	1,073,404
Unallocated:		
Property, plant and equipment	**99,930**	92,811
Intangible assets	**24,612**	30,355
Available-for-sale financial assets	**985**	1,020
Trade and other receivables	**122,352**	123,349
Inventories	**39,003**	41,045
Cash and bank deposits	**183,900**	241,253
Other current assets	**6,374**	7,010
Deferred income tax asset	**310**	316
Other non-current assets	**5,220**	7,230
Non-current assets held-for-sale	**452**	3,271
Total assets	**1,505,850**	1,621,064

34. Segment information (continued)

(a) Reconciliations (continued)

(iii) Segment liabilities

The Exco evaluates liabilities as a whole and do not allocate and monitor liabilities at the reportable segment level.

(b) Geographical information

The Group's segment revenue identified by the location of customers' headquarters is as follows:

	2015 US$'000	2014 US$'000
United States	**422,863**	484,620
Taiwan	**119,471**	116,279
China	**27,680**	23,842
Germany	**26,894**	23,489
Switzerland	**29,460**	30,850
France	**3,373**	5,157
Japan	**21,407**	25,083
Korea	**8,977**	8,032
The Netherlands	**11,754**	13,279
Others	**7,188**	3,490
	679,067	734,121

The Group's segment non-current assets (excluding goodwill) identified are located in four main geographical areas:

	2015 US$'000	2014 US$'000
Singapore	**147,601**	170,237
Taiwan	**89,387**	113,605
China	**71,272**	79,560
Thailand	**71,047**	66,597
	379,307	429,999

(c) Revenue from major customers

The Group's ten largest customers by sale, in aggregate, accounted for 63% (2014: 66%) of total revenue. Two (2014: One) of the customers each contributes more than 10% of the total revenue, with revenue contributions of US$96,374,000 and US$68,761,000 respectively (2014: US$120,192,000). These customers are attributable to the assembly and test services segments.

35. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted:

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  The Group is assessing the impact of FRS 115.

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

35. New or revised accounting standards and interpretations (continued)

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018) (continued)

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 39. The Group has yet to assess FRS 109's full impact.

There are no other FRS that are not yet effective that would be expected to have a material impact on the Group.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Global A&T Electronics Ltd on 23 March 2016.

37. Listing of companies in the Group

The active subsidiaries of Global A&T Electronics Ltd are as follows:

Name of Company	Principal activities	Country of business/ incorporation	Equity holding 2015 %	Equity holding 2014 %
United Test and Assembly Center Ltd +++	Provides assembly and testing of semiconductors services and corporate office functions #	Singapore	**100.0 ##**	100.0
UTAC Headquarters Pte. Ltd.+++	Provides assembly and testing of semiconductors services and corporate office functions #	Singapore	**100.0**	-
UTAC (Taiwan) Corporation +	Provides assembly and test services	Taiwan	**100.0**	100.0
UTAC (Shanghai) Co., Ltd. +++++	Provides assembly and test services	People's Republic of China	**100.0**	100.0
UTAC Hong Kong Limited ++++	Sales and corporate functions and holding company	Hong Kong	**100.0**	100.0
UTAC Cayman Ltd. *	Investment holding company	Cayman Islands	**100.0**	100.0
UTAC Dongguan Ltd ++++	Provides assembly and test services for package integrated circuits	People's Republic of China	**100.0**	100.0

37. Listing of companies in the Group (continued)

The active subsidiaries of Global A&T Electronics Ltd are as follows (continued):

Name of Company	Principal activities	Country of business/ incorporation	Equity holding 2015 %	Equity holding 2014 %
UCD Cayman Ltd*	Investment holding company	Cayman Islands	**100.0**	100.0
UTAC Thai Holdings Limited ++	Holding company	Thailand	**100.0**	100.0
UTAC Thai Limited ++	Provides assembly and test services	Thailand	**97.3**	97.3
UTAC Group Global Sales Ltd *	Sales and corporate functions and holding company	Cayman Islands	**100.0**	100.0
UGS America Sales Inc. *	Provides sales and marketing services	United States	**100.0**	100.0
UGS Asia Sales Pte. Ltd. +++	Provides sales and marketing services	Singapore	**100.0**	100.0
UGS Europe Sales S.r.l *	Technical and commercial services	Italy	**100.0**	100.0
UGS UK Sales Ltd *	Provides sales and marketing services	United Kingdom	**100.0**	100.0
UGS Europe LLC *	Provides sales and marketing services	Switzerland	**100.0**	-

*	Not required to be audited by law in their countries of incorporation
**	Audited by 四川必达会计师事务所有限公司 (Sichuan Bida Certified Public Accountants)
+	Audited by PricewaterhouseCoopers, Taiwan
++	Audited by PricewaterhouseCoopers, Thailand
+++	Audited by PricewaterhouseCoopers LLP, Singapore
++++	Audited by PricewaterhouseCoopers, Hong Kong
+++++	Audited by PricewaterhouseCoopers Zhong Tian LLP 普华永道中天会计师事务所（特殊普通合伙）
#	United Test and Assembly Center Ltd ceased to provide corporate office functions effective May 2015 and the corporate office function was transferred to UTAC Headquarters Pte. Ltd.
##	Effective 21 January 2016, the Company transferred 14.1% of its direct shareholding in its subsidiary, United Test and Assembly Center Ltd, to another subsidiary, UTAC Thai Holdings Limited.

FINANCIAL STATEMENTS

2 .... Global A&T Electronics Audited Financial Statements for the year ended December 31, 2014

GLOBAL A&T ELECTRONICS LTD
(Incorporated in Cayman Islands. Registration Number: MC-189744)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

GLOBAL A&T ELECTRONICS LTD
(Incorporated in Cayman Islands)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

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STATEMENT BY DIRECTORS
For the financial year ended 31 December 2014

In the opinion of the directors,

(a) the consolidated financial statements of Global A&T Electronics Ltd and its subsidiaries (the "Group") as set out on pages 3 to 68 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and

(b) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the directors

Mok Weng Sun
Director

Scott Yue Chen
Director

20 APR 2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GLOBAL A&T ELECTRONICS LTD

We have audited the accompanying financial statements of Global A&T Electronics Ltd and its subsidiaries (the "Group") set out on pages 3 to 68, which comprise the consolidated balance sheet of the Group as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 20 April 2015

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Sales	4	**734,121**	748,396
Cost of sales		**(612,194)**	(650,650)
Gross profit		**121,927**	97,746
Other income	5	**8,866**	7,673
Other gains - net	6	**35,187**	29,611
Expenses			
- Selling, general and administrative		**(65,438)**	(57,704)
- Research and development		**(11,109)**	(12,275)
- Finance	9	**(120,664)**	(120,655)
- Others		**(11,673)**	(16,399)
Share of loss of associated company	18	**-**	(4,457)
Loss before income tax	7	**(42,904)**	(76,460)
Income tax expense	10(a)	**(12,780)**	(2,463)
Loss after tax		**(55,684)**	(78,923)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
- Fair value losses	30	**-**	(1,521)
- Reclassification	30	**1,148**	409
Currency translation differences arising from consolidation	30	**(5)**	3
Items that will not be reclassified to profit or loss:			
Remeasurements on post employment benefit obligation	30	**(287)**	(1,825)
Other comprehensive income/(loss), net of tax		**856**	(2,934)
Total comprehensive loss		**(54,828)**	(81,857)
(Loss)/profit attributable to:			
Equity holder of the Company		**(57,295)**	(80,250)
Non-controlling interests		**1,611**	1,327
		(55,684)	(78,923)
Total comprehensive (loss)/income attributable to:			
Equity holder of the Company		**(56,416)**	(83,099)
Non-controlling interests		**1,588**	1,242
		(54,828)	(81,857)

The accompanying notes form an integral part of these financial statements.

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	Note	2014 US$'000	2013 US$'000
ASSETS			
Current assets			
Cash and bank deposits	11	**241,253**	217,855
Derivative financial instruments	12	**-**	217
Trade and other receivables	13	**111,624**	106,747
Inventories	14	**41,045**	33,548
Other assets	15	**7,010**	10,368
		400,932	368,735
Non-current assets held-for-sale	16	**3,271**	-
		404,203	368,735
Non-current assets			
Trade and other receivables	13	**11,725**	-
Other assets	15	**7,230**	9,808
Deferred income tax assets	27	**316**	2,505
Available-for-sale financial assets	17	**1,020**	1,383
Investment in associated company	18	**-**	-
Property, plant and equipment	19	**503,486**	536,157
Goodwill	20	**643,405**	643,405
Intangible assets	21	**49,679**	65,340
		1,216,861	1,258,598
Total assets		**1,621,064**	1,627,333
LIABILITIES			
Current liabilities			
Trade and other payables	22	**177,973**	132,213
Current income tax liabilities	10(b)	**8,729**	4,976
Derivative financial instruments	12	**-**	1,034
Borrowings	23	**273**	188
Provision	26	**2,000**	2,000
		188,975	140,411
Non-current liabilities			
Borrowings	23	**1,098,977**	1,093,674
Deferred income		**81**	168
Deferred income tax liabilities	27	**6,450**	9,443
Long term benefit obligations	28	**22,356**	21,841
		1,127,864	1,125,126
Total liabilities		**1,316,839**	1,265,537
NET ASSETS		**304,225**	361,796
EQUITY			
Capital and reserves attributable to equity holder of the Company			
Share capital	29	*****	*
Capital contribution	29	**698,000**	698,000
Other reserves	30	**(5,876)**	(6,736)
Accumulated losses		**(392,174)**	(334,898)
		299,950	356,366
Non-controlling interests		**4,275**	5,430
Total equity		**304,225**	361,796

* *Denotes amount less than US$1,000*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	←	Attributable to equity holder of the Company			→		
	Share capital	**Capital contribution**	**Other reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2014							
Beginning of financial year	*	698,000	(6,736)	(334,898)	356,366	5,430	361,796
Dividend to non-controlling interests	-	-	-	-	-	(2,743)	(2,743)
Reclassification (Note 30(b)(iii))	-	-	(19)	19	-	-	-
Total comprehensive income/(loss) for the year	-	-	879	(57,295)	(56,416)	1,588	(54,828)
End of financial year	*	698,000	(5,876)	(392,174)	299,950	4,275	304,225
2013							
Beginning of financial year	*	698,000	(3,598)	(254,937)	439,465	5,923	445,388
Dividend to non-controlling interests	-	-	-	-	-	(1,735)	(1,735)
Reclassification (Note 30(b)(iii))	-	-	(289)	289	-	-	-
Total comprehensive (loss)/income for the year	-	-	(2,849)	(80,250)	(83,099)	1,242	(81,857)
End of financial year	*	698,000	(6,736)	(334,898)	356,366	5,430	361,796

An analysis of the movements in each category within "Other reserves" is presented in Note 30.

** Denotes amount less than US$1,000*

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Cash flows from operating activities			
Loss after tax		**(55,684)**	(78,923)
Adjustments for:			
- Income tax expense		**12,780**	2,463
- Dividend income		**(107)**	(35)
- Depreciation of property, plant and equipment		**132,578**	151,734
- Impairment of property, plant and equipment		**6,327**	1,664
- Intangible assets written off		**-**	113
- Write-off of property, plant and equipment		**429**	252
- Amortisation of intangible assets		**15,988**	16,408
- Net gain on disposal of property, plant and equipment		**(37,771)**	(2,609)
- Gain on extinguishment of borrowings, net of expenses		**-**	(21,073)
- Interest income		**(1,803)**	(1,026)
- Government grant income		**(179)**	(349)
- Finance expense		**120,664**	120,655
- Write back of unclaimed monies from the previous shareholders of a subsidiary		**-**	(4,846)
- Write-off of overpayment by customers		**-**	(220)
- Loss on settlement of redemption liability		**-**	323
- Share of loss of associated company		**-**	4,457
		193,222	188,988
Change in working capital:			
- Derivative financial instruments		**331**	(306)
- Trade and other receivables		**(4,571)**	31,609
- Inventories		**(7,497)**	9,955
- Other assets		**5,985**	(1,196)
- Trade and other payables		**12,733**	(27,083)
- Provisions		**-**	(250)
- Long term benefit obligations		**146**	(1,291)
- Currency translation differences		**(5)**	45
Cash generated from operations		**200,344**	200,471
Government grant received		**92**	430
Income tax paid		**(10,055)**	(16,815)
Net cash provided by operating activities		**190,381**	184,086
Cash flows from investing activities			
Redemption of equity interest in a subsidiary		**-**	(2,200)
Purchases of property, plant and equipment		**(120,185)**	(50,291)
Purchases of intangible assets		**(327)**	(215)
Purchase of financial assets, available-for-sale		**(96)**	(60)
Proceeds from disposal of property, plant and equipment		**71,986**	18,149
Distributions from available-for-sale financial assets		**459**	-
Amount due from immediate holding company		**(11,725)**	-
Interest received		**1,803**	942
Dividend received		**107**	35
Net cash used in investing activities		**(57,978)**	(33,640)
Cash flows from financing activities			
Dividend paid to non-controlling interests		**(2,047)**	(1,735)
Proceed from issuance of 10% Senior Secured Notes due in 2019		**-**	607,500
Payment of financing fees		**-**	(31,999)
Repayment of borrowings		**-**	(636,592)
Repayment of finance lease liabilities		**(260)**	(390)
Interest paid		**(106,649)**	(70,643)
Net cash used in financing activities		**(108,956)**	(133,859)
Net increase in cash and cash equivalents		**23,447**	16,587
Cash and cash equivalents at beginning of financial year		**217,806**	201,219
Cash and cash equivalents at end of financial year	11	**241,253**	217,806

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Global A&T Electronics Ltd (the "Company") is incorporated and domiciled in Cayman Islands. The address of its registered office is:

P.O. Box 309
Ugland House
Grand Cayman KY1 – 1104
Cayman Islands

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries consist of the provision of test and assembly services for integrated circuits, which have been identified as the Group's operating segments. The principal activities of the subsidiaries are disclosed in Note 40.

2. Significant accounting policies

2.1 <u>Basis of preparation</u>

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date.

The Group assessed that the adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. Significant accounting policies (continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Rendering of services

Sales derived from provision of services for assembly and testing of semiconductors is recognised during the financial year in which the services are rendered.

2.3 Interest income

Interest income is recognised using the effective interest method.

2.4 Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.5 Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.6 Sales of scrap

Sales of scrap is recognised when a Group entity has delivered the materials and its counterparty has accepted the materials in accordance with the sales contract.

2.7 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

2. **Significant accounting policies** (continued)

2.7 Group accounting (continued)

(a) *Subsidiaries* (continued)

(i) *Consolidation* (continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. **Significant accounting policies** (continued)

2.7 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions* (continued)

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on bargain purchase.

Please refer to Note 2.9 for the subsequent accounting policy on goodwill.

(iii) *Disposals of subsidiaries*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity holders of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) *Associated company*

Associated company is an entity which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

2. Significant accounting policies (continued)

2.7 Group accounting (continued)

(c) Associated company (continued)

(i) Acquisitions

Investment in associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated company's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated company are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated company are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investment in associated company is derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost, and its fair value and any proceeds on partial disposal is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investment in associated company are recognised in profit or loss.

2. Significant accounting policies (continued)

2.7 Group accounting (continued)

(c) Associated company (continued)

(iv) Impairment

The Group determines at each reporting date whether there is any objective evidence that the investment in associated company is impaired. If it is the case, the Group calculates the amount of impairment as the difference between the recoverable income of the investment in the associated company and its carrying amount and recognises the amount adjacent to "Share of loss of associated company" in the consolidated statement of comprehensive income.

2.8 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost, and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Freehold land and capital work-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	99 years
Freehold and leasehold buildings	10 - 25 years
Freehold and leasehold buildings improvements	10 - 48 years (not longer than the lease term)
Plant and machinery	1 - 8 years
Furniture, fittings, office equipment and canteen equipment	2 - 6 years
Computer equipment	3 - 5 years
Motor vehicles	5 - 6 years

2. Significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

(b) Depreciation (continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains - net".

2.9 Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of (i) consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable net assets acquired.

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

2. Significant accounting policies (continued)

2.9 Goodwill (continued)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on the basis of pro-rata the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

2.10 Intangible assets

(a) *Acquired patents and licences*

Patents and licences acquired as part of business combinations are initially recognised at their fair values at the acquisition date and are subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 6.5 to 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

(b) *Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

(c) *Acquired customer relationships*

Customer relationships acquired as part of business combinations are initially recognised at their fair values at the acquisition date and are subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 10 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. **Significant accounting policies** (continued)

2.11 Impairment of non-financial assets

Intangible assets
Property, plant and equipment

Intangible assets and property, plant and equipment of the Group are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

2.12 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Cash and bank deposits", "Trade and other receivables" and "Other assets" on the consolidated balance sheet.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(a) Classification (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale financial assets in the form of investments in non-quoted equity securities are measured at cost if their fair values cannot be measured reliably. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in "Other income" when the Group's right to receive payment is established. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related translation differences. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

2. **Significant accounting policies** (continued)

2.12 Financial assets (continued)

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. **Significant accounting policies** (continued)

2.12 Financial assets (continued)

(e) *Impairment* (continued)

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.12(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired. If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date. Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan to the extent that its probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

An exchange between an existing borrower or lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.14 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

2.16 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of récognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates the derivatives as hedges of highly probable forecast transactions (cash flow hedges).

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

Cash flow hedge

The Group has entered into gold par forward contracts and foreign currency forward contracts to hedge the gold price and foreign currency exchange risk arising from the highly probable forecasted purchase of gold wires and transactions in foreign currencies respectively.

The fair value changes on the effective portion of the forward contracts designated as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve. For gold par forward contracts, the amount recognised in other comprehensive income are accumulated in the hedging reserve and transferred to "cost of sales" when the gold wires are consumed. For foreign currency forward contracts, the amount recognised in other comprehensive income are accumulated in the hedging reserve and transferred to "Other gains - net" in profit or loss when the hedged forecasted transactions are recognised.

The fair value changes on the ineffective portion of the forward contracts are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2. **Significant accounting policies** (continued)

2.17 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of currency forwards and gold par forwards are determined using actively quoted forward exchange rates and gold prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These include the use of quoted market prices or dealer quotes for similar instruments and valuation techniques, such as discounted cash flow analyses. In determining these fair values, management evaluates, among other factors, the reliability and appropriateness of the use of the underlying net asset information provided, taking into consideration factors such as industry and sector outlook, other market comparables and other prevailing market factors and conditions.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.18 Leases

(a) *When the Group is the lessee:*

The Group leases certain property, plant and equipment from non-related parties.

(i) *Lessee - Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the consolidated balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2. Significant accounting policies (continued)

2.18 Leases (continued)

(a) *When the Group is the lessee:* (continued)

(ii) *Lessee - Operating leases*

Leases of factories, warehouses and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

(b) *When the Group is the lessor:*

The Group leases certain property, plant and equipment under operating leases to non-related parties.

(i) *Lessor – Operating leases*

Leases of assets where the Group retained substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.19 Research and development costs

Research costs are recognised as an expense in profit or loss when incurred.

Costs incurred on development activities or projects are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(b) management intends to complete the intangible asset and use or sell it;
(c) there is an ability to use or sell the intangible asset;
(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

2. **Significant accounting policies** (continued)

2.19 Research and development costs (continued)

Other development costs that do not meet these criteria is recognised as an expense in profit or loss as incurred. Development expenditure previously recognised as an expense in profit or loss is not recognised as an asset in a subsequent period.

2.20 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.21 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. **Significant accounting policies** (continued)

2.21 Income taxes (continued)

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.22 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.23 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. The Group operates both defined contribution and defined benefit plans.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Defined benefit plans

Defined benefit plans are post-employment benefit that an employee will receive on or after retirement and are plans other than defined contribution plans. Defined benefits plans define the amount of benefits usually dependent on one or more factors such as age, years of service or compensation.

The liability recognised in the consolidated balance sheet in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post - employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past-service costs are recognised immediately in profit or loss.

2. Significant accounting policies (continued)

2.23 Employee compensation (continued)

(b) *Defined benefit plans* (continued)

UTAC (Taiwan) Corporation

Certain full time regular employees of the Company's subsidiary, UTAC (Taiwan) Corporation, are covered under a defined benefit plan. The Plan is non-contributory on the part of employees and UTAC (Taiwan) Corporation makes monthly contribution of an amount equal to 2% of the total monthly wages to the pension fund deposited with the Central Trust of China. Pension benefits will be paid by UTAC (Taiwan) Corporation to its employees and are computed based on their service years (two points per year for the first 15 service years and one point per year for each service year thereafter). Each employee is limited to 45 points.

UTAC Thai Limited

All employees of the Company's subsidiary, UTAC Thai Limited, are eligible to receive benefits upon their retirement under the Special Retirement Compensation Plan ("SRCP"). The SRCP is non-contributory on the part of employees. Pension benefits will be paid by UTAC Thai Limited to its employees and are computed based on 20% of monthly basic salary multiply by the numbers of years in service.

(c) *Other long term benefits*

The measurement of other long term benefits follows that of post-employment defined benefits except that all actuarial gains and losses on other long term employee benefits are recognised immediately in profit or loss.

UTAC Thai Limited

All employees of UTAC Thai Limited are eligible to receive benefits under the long service award plan. The service award payable is determined by the length of the employee's service period.

(d) *Share-based compensation*

The Company's ultimate holding corporation, Global A&T Holdings, operates equity-settled share-based compensation plans. The fair value of the services received from the employees of the group in exchange for the grant of options is recognised as an expense with a corresponding increase in the share options reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

2. **Significant accounting policies** (continued)

2.23 Employee compensation (continued)

(e) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept that offer. Benefits falling due more than 12 months after the end of reporting period are discounted to their present value.

2.24 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The financial statements are presented in United States Dollars, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Changes in fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes in the carrying amount of the security. Currency translation differences on the amortised cost are recognised in profit or loss, and other changes are recognised in other comprehensive income.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Significant accounting policies (continued)

2.24 Currency translation (continued)

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.25 Government grants

Grants from the government are recognised as a receivable at their fair value when, there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are included in non-current liabilities as deferred income and are recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets.

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.27 Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank deposits which are subject to an insignificant risk of change in value, and with original maturities of three months or less.

2. **Significant accounting policies** (continued)

2.28 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.29 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction and a sale is considered highly probable rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense in profit or loss. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. **Critical accounting estimates, assumptions and judgments**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU"), Assembly and Test, which are expected to benefit from synergies arising from the business combination. The recoverable amounts of the Group's CGU are determined based on value-in-use calculations. These calculations require the use of estimates (Note 20).

If management's estimated gross margin is lowered by 1% in each of the forecasted years holding all else constant, the recoverable amount of the Assembly and Test CGU would be reduced by approximately US$48,177,000 and US$32,356,000 (2013: US$53,572,000 and US$26,160,000) respectively. The carrying amount of goodwill would not be impaired.

If management's estimated pre-tax discount rate applied to the discounted cash flows for all the CGU is raised by 1% holding all else constant, the recoverable amount of the Assembly and Test CGU would be reduced by approximately US$96,284,000 and US$163,459,000 (2013: US$86,780,000 and US$95,708,000) respectively. The carrying amount of goodwill would not be impaired.

(b) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

3. **Critical accounting estimates, assumptions and judgments** (continued)

(b) Impairment of property, plant and equipment (continued)

During the financial year, an impairment charge of US$6,327,000 (2013: US$1,664,000) was recognised on certain plant and machinery. The impairment charge recognised for these assets was due to events and circumstances that indicate that the carrying amount would exceed the recoverable amount. The recoverable amount of these plant and machinery has been determined based on fair value less cost to sell.

Fair value was determined by reference to quotations from third party vendors for these assets.

(c) Uncertain tax positions

The Group is subject to various taxes in numerous jurisdictions in which it operates. These include taxes on income, property, goods and services, and other taxes. In determining the tax liabilities, management is required to estimate their tax payable position based on deductibility of certain expenses and exemptions of certain taxable income due to tax incentives granted in respective tax jurisdictions. The Group submits tax returns and claims with the appropriate government taxing authorities, which are subject to examination and agreement by those taxing authorities. The Group regularly reassesses the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes. The Group has open income tax assessments at the reporting date. As management believes that the income tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions.

4. **Sales**

	2014	2013
	US$'000	US$'000
Services rendered:		
- Test	**250,453**	246,939
- Assembly	**483,668**	501,457
	734,121	748,396

5. Other income

	2014 US$'000	2013 US$'000
Interest income	**1,803**	1,026
Government grant income	**179**	349
Dividend income	**107**	35
Sales of scrap	**3,696**	3,306
Rental income	**455**	623
Service tooling income	**1,411**	833
Other	**1,215**	1,501
	8,866	7,673

6. Other gains - net

	2014 US$'000	2013 US$'000
Currency translation (losses)/gains – net	**(3,090)**	1,152
Net gain on disposal of property, plant and equipment	**37,771**	2,609
Write-off of overpayment by customers	**-**	220
Loss on settlement of redemption liability (Note 25)	**-**	(323)
Gain on extinguishment of borrowings, net of expenses (Note 23(a))	**-**	21,073
Write back of unclaimed monies from the previous shareholders of a subsidiary	**-**	4,846
Other	**506**	34
	35,187	29,611

7. Loss before income tax

The following items have been included in arriving at loss before income tax:

	2014 US$'000	2013 US$'000
Charging:		
Depreciation of property, plant and equipment (Note 19)	**132,578**	151,734
Impairment loss of property, plant and equipment (Note 19)	**6,327**	1,664
Amortisation of intangible assets (Note 21(d))	**15,988**	16,408
Cost of inventories recognised as an expense included in 'cost of sales'	**165,543**	186,078
Rental on operating leases	**7,132**	7,738
Employee compensation (Note 8)	**203,569**	198,476
Property, plant and equipment written off	**429**	252
Impairment loss on trade receivables – non-related parties	**28**	264
Cash flow hedge, reclassified from hedging reserve (Note 30(b)(i))	**1,148**	409
Intangible assets written off	**-**	113

8. Employee compensation

	2014 US$'000	2013 US$'000
Wages and salaries	**186,260**	178,296
Employer's contribution to defined contribution plans including Central Provident Fund	**14,173**	11,630
Post employment benefits under defined benefit pension plans (Note 28(d))	**1,780**	1,492
Long service award	**205**	363
Termination benefits	**1,151**	6,695
	203,569	198,476

9. Finance expenses

	2014 US$'000	2013 US$'000
Interest expenses		
- 10% Senior Secured Notes due in 2019	**117,348**	72,277
- Bank borrowings	**-**	45,151
- Loan payable to a non-related party	**-**	307
- Finance lease liabilities	**32**	35
- Others	**130**	59
	117,510	117,829
Revolving credit facility fees (Note 23(a))	**3,154**	2,826
	120,664	120,655

10. Income taxes

(a) Income tax expense

	2014 US$'000	2013 US$'000
Tax expense attributable to loss is made up of:		
Current income tax		
- Singapore	**15**	1,187
- Foreign	**13,905**	8,309
Deferred income tax (Note 27)	**(990)**	(6,756)
	12,930	2,740
Over provision of current income tax in prior financial years	**(150)**	(277)
	12,780	2,463

10. Income taxes (continued)

(a) Income tax expense (continued)

Tax incentives

In Taiwan, the Company's subsidiary, UTAC (Taiwan) Corporation ("UTC"), as a profit-seeking enterprise incorporated in Hsinchu Science park, Taiwan, is entitled to certain tax benefits pursuant to the Act for the Establishment and Administration of Science Parks and qualifies as an entity conferred with certain tax incentives under Article 6 of the Statue of Upgrading Industries. The tax incentives include tax credits of up to 35% for certain research and development and employee training expenses (and, if the amount of expenditure exceeds the average amount of expenditure for the preceding two years, 50% of the excess amount may be credited against tax payable) and from 5% to 20% for certain investments in automated equipment and technology. These tax credits must be utilised within five years from the fiscal year in which they arise.

Since the Income Basic Tax Act was implemented in 2006, most of the tax incentives UTC enjoys have been reduced to the extent of the alternative minimum income tax, which is ten percent of the amount otherwise exempted from business income tax. In determining the income tax payable by a profit-seeking enterprise under Taiwan law, the regular income tax, i.e., the traditional income tax payable under the Income Tax Act (after subtraction of investment tax credits), is compared to the Basic Tax calculated under the new law. The Basic Tax is calculated by deducting NT$2,000,000 from the Basic Income (which is taxable income plus tax-exempt income), and multiplying the difference by a tax rate of 10%, which is adjustable to 12% depending on economic conditions.

The Statute of Upgrading Industries was replaced by the Statute of Industrial Innovation which allows UTC to enjoy tax credits on research and development only. The Statute of Industrial Innovation revised research and development tax incentives allows UTC to claim a credit for 15% of its research and development expenditures to offset up to 30% of its income tax in the current year. The tax credits cannot be carried forward and any unused tax credits will be forfeited. This tax incentive applies for a period of 10 years, and is retrospectively effective from 1 January 2010 until 31 December 2019.

In Thailand, the Company's subsidiary, UTAC Thai Limited ("UTL") has been granted certain tax exemptions for the assembly and testing of integrated circuits and components, including (i) exemption from payment of import duty on machinery approved by the Board of Investment of Thailand ("BOI"); (ii) exemption from payment of income tax for certain operations for a certain periods; and (iii) exemption from payment of import duty on raw or essential materials used in the manufacturing of export products for a certain period.

As a BOI promoted company, UTL must comply with certain conditions and restrictions provided for in the investment promotion certificates issued by the BOI.

10. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on loss differs from the amount that would arise using the standard rate of income tax as explained below:

	2014 US$'000	2013 US$'000
Loss before income tax	**(42,904)**	(76,460)
Tax calculated at Singapore statutory income tax rate of 17%	**(7,294)**	(12,998)
Effects of:		
- Different tax rates in other countries	**418**	3,063
- Expenses not deductible for tax purposes	**24,855**	24,445
- Income not subjected to tax	**(2,972)**	(4,487)
- Tax incentives	**(6,911)**	(9,028)
- Additional 10% tax on undistributed earnings in Taiwan	**1,716**	573
- Utilisation of previously unrecognised tax benefits	**(2,967)**	(2,729)
- Unrecognised tax benefits	**6,085**	3,922
- Singapore statutory stepped income exemption	**-**	(21)
Tax charge	**12,930**	2,740

(b) Movements in current income tax liabilities

	2014 US$'000	2013 US$'000
Beginning of financial year	**4,976**	13,145
Income tax paid	**(10,055)**	(16,815)
Tax expense	**13,920**	9,496
Over provision in prior financial years	**(150)**	(277)
Currency translation differences	**38**	(573)
End of financial year	**8,729**	4,976

11. Cash and bank deposits

	2014 US$'000	2013 US$'000
Cash at bank and on hand	**178,547**	135,535
Short-term bank deposits	**62,706**	82,320
	241,253	217,855

11. Cash and bank deposits (continued)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2014 **US$'000**	2013 US$'000
Cash and bank balances (as above)	**241,253**	217,855
Less: Restricted cash	-	(49)
Cash and cash equivalents as per consolidated statement of cash flows	**241,253**	**217,806**

12. Derivative financial instruments

	Contract/ notional amount **US$'000**	**Fair values** **Assets** **US$'000**	**Liabilities** **US$'000**
2013			
Hedging instruments			
- Currency forward contracts	84,828	217	(1,000)
- Gold forward contracts	766	-	(34)
Total current		217	(1,034)

There were no derivative financial instruments held by the Group as at 31 December 2014.

Currency and gold forward contracts are entered to hedge highly probable forecast transactions expected to occur at various dates within 12 months from the balance sheet date. The currency and gold forward contracts have maturity dates that coincide with the expected occurrence of these transactions. Gains or losses recognised in the hedging reserve prior to the occurrence of these transactions are reclassified to profit or loss (Note 7) in the period or periods during which the hedged forecast transaction affects profit or loss. This is generally within 12 months from the balance sheet date.

13. Trade and other receivables

	2014	2013
	US$'000	US$'000
Current		
Trade receivables - non-related parties	**105,087**	97,936
Less: Allowance for impairment of receivables		
- non-related parties	**(76)**	(402)
	105,011	97,534
Non-trade receivables		
- non-related parties	**5,577**	9,213
- immediate holding corporation	**37**	-
- related corporation	**999**	-
	111,624	106,747
Non-current		
Non-trade receivables		
- immediate holding corporation	**11,725**	-
Total trade and other receivables	**123,349**	106,747

The current amount due from immediate holding corporation is unsecured, non-interest bearing and repayable on demand, whilst the non-current amount due from immediate holding corporation is unsecured, interest bearing at 10.5% per annum and repayable on 8 May 2019.

The non-trade receivables from a related corporation is unsecured, interest-free and repayable on demand.

14. Inventories

	2014	2013
	US$'000	US$'000
Raw materials	**35,725**	28,373
Work-in-progress	**5,102**	4,930
Finished goods	**218**	245
	41,045	33,548

15. Other assets

	2014 US$'000	2013 US$'000
Current		
Prepayments	**5,564**	5,126
Deposits	**1,188**	4,815
Others	**258**	427
	7,010	10,368
Non-current		
Prepayments	**6,770**	9,330
Others	**460**	478
	7,230	9,808
Total other assets	**14,240**	20,176

16. Non-current assets held-for-sale

The Group has classified certain plant and machinery with low or no utilisation as assets held-for-sale following the approval by management on 24 September 2014 to sell those plant and machinery. The assets held-for-sale are carried at the lower of carrying amount and fair value less costs to sell, as their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale transaction is expected to be completed by June 2015.

Details of assets in non-current assets classified as held-for-sale are as follows:

	2014 US$'000	2013 US$'000
Property, plant and equipment (Note 19)	**3,271**	-

17. Available-for-sale financial assets

	2014 US$'000	2013 US$'000
Beginning of financial year	**1,383**	1,323
Additions	**96**	60
Distributions	**(459)**	-
End of financial year	**1,020**	1,383

17. Available-for-sale financial assets (continued)

At the balance sheet date, available-for-sale financial assets are analysed as follows:

	2014 **US$'000**	2013 US$'000
Non-current		
Quoted equity securities:		
- United States of America	**156**	60
Non-quoted equity securities:		
- Taiwan	**862**	1,321
- United States of America	**2**	2
	1,020	1,383

18. Investment in associated company

On 14 May 2014, the Group entered into a sales and purchase agreement to dispose its entire 19.9% interest in its associated company for consideration of US$1.

The movement and carrying amount of investment in associated company as below:

	2014 **US$'000**	2013 US$'000
Beginning of financial year	**-**	4,457
Share of loss	**-**	(4,457)
End of financial year	**-**	-

Details of the associated company are provided in Note 40(b). The associated company is not considered to be material to the Group and therefore no further disclosure relating to the summarised financial information of the associated company is made.

The Group has not recognised its share of losses in the associated company amounting to US$744,000 (2013: US$964,000) during the financial year prior to the above-mentioned disposal because the Group's cumulative share of losses exceeds its interest in that entity, and the Group has no obligation in respect of those losses.

19. Property, plant and equipment

	Freehold land US$'000	Freehold buildings and improvements US$'000	Leasehold land, buildings and improvements US$'000	Plant and machinery US$'000	Furniture, fittings, office equipment and canteen equipment US$'000	Computer equipment US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group									
2014									
Cost									
Beginning of financial year	11,792	53,099	131,363	1,120,237	5,371	8,393	1,701	9,601	1,341,557
Additions	32	-	7,153	88,627	144	645	492	47,056	144,149
Transfer in/(out)	326	68	4,626	18,747	40	539	-	(24,346)	-
Disposals	-	-	(32,924)	(57,733)	(454)	(292)	(639)	(79)	(92,121)
Write-off	-	-	(5,836)	(42)	(268)	(8)	-	-	(6,154)
Reclassified to non-current assets held-for-sale	-	-	(39)	(26,448)	-	-	-	-	(26,487)
End of financial year	12,150	53,167	104,343	1,143,388	4,833	9,277	1,554	32,232	1,360,944
Accumulated depreciation and accumulated impairment losses									
Beginning of financial year	-	22,922	65,798	705,172	3,793	6,907	808	-	805,400
Depreciation charge	98	4,191	11,067	114,995	526	1,431	270	-	132,578
Disposals	-	-	(13,080)	(43,697)	(402)	(288)	(439)	-	(57,906)
Write-off	-	-	(5,450)	(23)	(244)	(8)	-	-	(5,725)
Impairment losses	-	-	6	6,321	-	-	-	-	6,327
Reclassified to non-current assets held-for-sale	-	-	(33)	(23,183)	-	-	-	-	(23,216)
End of financial year	98	27,113	58,308	759,585	3,673	8,042	639	-	857,458
Net book value									
End of financial year	**12,052**	**26,054**	**46,035**	**383,803**	**1,160**	**1,235**	**915**	**32,232**	**503,486**

19. Property, plant and equipment (continued)

	Freehold land US$'000	Freehold buildings and improvements US$'000	Leasehold land, buildings and improvements US$'000	Plant and machinery US$'000	Furniture, fittings, office equipment and canteen equipment US$'000	Computer equipment US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group									
2013									
Cost									
Beginning of financial year	11,792	52,144	153,077	1,120,629	5,574	8,691	1,936	7,056	1,360,899
Additions	-	308	260	-	85	349	108	48,275	49,385
Transfer in/(out)	-	659	13	44,437	21	568	-	(45,698)	-
Disposals	-	(12)	(21,987)	(37,625)	(309)	(1,212)	(343)	(32)	(61,520)
Write-off	-	-	-	(7,204)	-	(3)	-	-	(7,207)
End of financial year	11,792	53,099	131,363	1,120,237	5,371	8,393	1,701	9,601	1,341,557
Accumulated depreciation and accumulated impairment losses									
Beginning of financial year	-	18,659	61,606	613,998	3,406	6,559	709	-	704,937
Depreciation charge	-	4,275	13,154	131,853	661	1,482	309	-	151,734
Disposals	-	(12)	(8,962)	(35,392)	(274)	(1,130)	(210)	-	(45,980)
Write-off	-	-	-	(6,951)	-	(4)	-	-	(6,955)
Impairment losses	-	-	-	1,664	-	-	-	-	1,664
End of financial year	-	22,922	65,798	705,172	3,793	6,907	808	-	805,400
Net book value									
End of financial year	**11,792**	**30,177**	**65,565**	**415,065**	**1,578**	**1,486**	**893**	**9,601**	**536,157**

19. **Property, plant and equipment** (continued)

(a) The carrying amount of plant and machinery held under finance leases are US$857,000 (2013: US$743,000) at the balance sheet date.

(b) Included within additions in the consolidated financial statements are plant and machinery acquired under finance leases amounting to US$416,000 (2013: US$83,000).

(c) The Group recognised an impairment loss of US$6,327,000 (2013: US$1,664,000) mainly relating to the write down of obsolete and idle plant and machinery. The carrying amounts of the plant and machinery were reduced to their recoverable amounts based on fair value less cost to sell.

20. Goodwill

Goodwill arising on consolidation

	2014 US$'000	2013 US$'000
Beginning and end of financial year	**643,405**	643,405

Impairment testing of goodwill

Management reviews the business performance of the assembly and test services segment, and goodwill is monitored by the management at the operating segment level.

Goodwill is allocated to the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the business combination.

A segment-level summary of the goodwill allocation is as follows:

	2014 US$'000	2013 US$'000
Test	**348,220**	348,220
Assembly	**295,185**	295,185
	643,405	643,405

The recoverable amount of CGU was determined based on value-in-use. The value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimates growth rates stated below. The growth rate did not exceed the long-term average growth rate for the businesses in which the CGU operates.

Management have determined the forecasted revenues and gross margins based on past performance and its expectation of market development. Average growth rates used are consistent with forecasts included in industry reports. The discount rates used were pre-tax.

20. Goodwill (continued)

Impairment testing of goodwill (continued)

The table below summarises the key assumptions determined by management in the value-in-use calculations:

	2014		2013	
	Test	**Assembly**	Test	Assembly
Discount rate *	**7.2%**	**8.1%**	8.9%	10.1%
Gross margin ^	**43.8% - 50.7%**	**24.0% - 26.1%**	43.9% - 51.4%	24.4% - 25.4%
Terminal growth rates #	**1.0%**	**1.0%**	1.0%	2.0%

* *Pre-tax discount rate applied to pre-tax cash flow projections.*

^ *Gross margin disclosed excludes depreciation and amortisation expenses.*

Weighted average growth rate used to extrapolate cash flows beyond the fifth year.

As the recoverable amounts of the CGU are higher than the carrying amounts, no impairment loss is recognised for the financial years ended 31 December 2014 and 31 December 2013.

21. Intangible assets

	Patents and licenses US$'000	**Computer software licences and development costs US$'000**	**Customer relationships US$'000**	**Total US$'000**
Group				
2014				
Beginning of financial year	12,876	3,297	49,167	65,340
Additions	-	327	-	327
Amortisation	(2,793)	(1,453)	(11,742)	(15,988)
End of financial year	**10,083**	**2,171**	**37,425**	**49,679**
2013				
Beginning of financial year	15,669	5,068	60,909	81,646
Additions	-	215	-	215
Amortisation	(2,793)	(1,873)	(11,742)	(16,408)
Write-off	-	(113)	-	(113)
End of financial year	**12,876**	**3,297**	**49,167**	**65,340**

21. Intangible assets (continued)

(a) Patents and licences

	2014	2013
	US$'000	US$'000
Beginning of financial year	**12,876**	15,669
Amortisation charge	**(2,793)**	(2,793)
End of financial year	**10,083**	12,876
Cost	**28,113**	28,113
Accumulated amortisation	**(18,030)**	(15,237)
Net book value	**10,083**	12,876

(b) Computer software licences and development costs

	2014	2013
	US$'000	US$'000
Beginning of financial year	**3,297**	5,068
Purchase of software licenses	**327**	215
Amortisation charge	**(1,453)**	(1,873)
Write-off	**-**	(113)
End of financial year	**2,171**	3,297
Cost	**16,610**	16,283
Accumulated amortisation	**(14,439)**	(12,986)
Net book value	**2,171**	3,297

(c) Customer relationships

	2014	2013
	US$'000	US$'000
Beginning of financial year	**49,167**	60,909
Amortisation charge	**(11,742)**	(11,742)
End of financial year	**37,425**	49,167
Cost	**117,548**	117,548
Accumulated amortisation	**(80,123)**	(68,381)
Net book value	**37,425**	49,167

21. Intangible assets (continued)

(d) Amortisation expense included in the consolidated statement of comprehensive income is analysed as follows:

	2014 US$'000	2013 US$'000
Cost of sales	**2,104**	2,261
Selling, general and administrative expenses	**11,981**	12,452
Research and development expenses	**1,903**	1,695
Total (Note 7)	**15,988**	16,408

22. Trade and other payables

	2014 US$'000	2013 US$'000
Trade payables to non-related parties		
- Purchase of property, plant and equipment	**39,013**	15,465
- Other purchases	**46,609**	38,578
	85,622	54,043
Other payables – non-related parties	**6,347**	4,116
Accrued interest payable	**46,969**	39,398
Dividends payable to non-controlling interests	**696**	-
Other accrual for operating expenses	**36,230**	32,925
Deposits and advances from customers	**2,109**	1,731
	177,973	132,213

23. Borrowings

	2014 US$'000	2013 US$'000
Current		
Finance lease liabilities - secured (Note 24)	**273**	188
Non-current		
10% Senior Secured Notes due in 2019	**1,098,684**	1,093,452
Finance lease liabilities - secured (Note 24)	**293**	222
	1,098,977	1,093,674
Total borrowings	**1,099,250**	1,093,862

23. Borrowings (continued)

(a) 10% Senior Secured Notes due in 2019

On 7 February 2013, the Company issued US$625,000,000 in aggregate principal amount of 10% Senior Secured Notes due in 2019 (the "notes") for proceeds of US$607,500,000 after deducting transaction costs of US$17,500,000. The proceeds from the notes were used to prepay an existing carrying amount of US$619,919,000 of bank borrowings. Interest on the notes is payable on 1 February and 1 August of each year, beginning on 1 August 2013. Additionally, subject to the satisfaction of certain requirements, a US$125,000,000 revolving credit facility (the "revolving facility") has been made available to the Company.

On 30 September 2013, the Company issued additional principal amount of 10% Senior Secured Notes due 2019 (the "additional notes") in exchange for the outstanding bank borrowings in a private offer to exchange (the "Exchange Offer") with the lenders, based on an exchange ratio of every US$1,000 of outstanding principal amount for a US$925 principal amount of the additional notes. The carrying amount of US$523,330,000 in bank borrowings were exchanged for US$502,257,000 of the additional notes.

The indebtedness under the notes, additional notes and the revolving facility will be secured by, pursuant to various inter creditor arrangements, a first priority charge over specified assets of the Company and certain of its subsidiaries, excluding UTAC (Taiwan) Corporation, UTAC Thai Holdings Limited and UTAC Thai Limited which will provide security upon the completion and satisfaction of certain requirements, as well as over the shares of certain of its subsidiaries, excluding UTAC (Taiwan) Corporation and UTAC Thai Limited whose shares will be pledged as security upon the completion and satisfaction of certain requirements. In addition, the Company and certain of its subsidiaries (excluding UTAC Thai Limited and UTAC Thai Holdings Limited, pending the completion and satisfaction of certain requirements) will jointly and severally guarantee the repayment of the notes, additional notes and the revolving facility.

As at the balance sheet date, the fair value of 10% Senior Secured Notes due in 2019 is US$994,128,000 (2013: US$990,935,000). The fair value is determined from the trading market prices of the 10% Senior Secured Notes as of each balance sheet date and is within Level 1 of the fair value hierarchy.

(b) Finance lease liabilities – secured

Finance lease liabilities of the Group are secured by the rights to the leased plant and machinery (Note 19(a) and (b)), which will revert to the lessor in the event of default by the Group.

The carrying amount of the finance lease liabilities approximated their fair values at the balance sheet date.

(c) Undrawn and unutilised facilities

As at the balance sheet date, the Group has undrawn credit facilities amounting to US$11,353,000 (2013: US$10,732,000) and unutilised bank guarantee facilities amounting to US$1,928,000 (2013: US$2,035,000).

24. Finance lease liabilities

	2014 **US$'000**	2013 US$'000
Minimum lease payments due:		
- Not later than one year	**299**	207
- Between two and five years	**306**	235
	605	442
Less: Future finance charges	**(39)**	(32)
Present value of finance lease liabilities	**566**	410
Analysed as follows:		
- Not later than one year (Note 23)	**273**	188
- Between two and five years (Note 23)	**293**	222
	566	410

The liabilities are secured on property, plant and equipment acquired under finance lease contracts (Note 19(a) and (b)).

The Group has leased certain plant and machinery under finance leases. Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents.

25. Redemption liability

On 1 March 2011, the Group gained control of UCD Cayman Ltd ("UCD Cayman") and its wholly owned subsidiary, UTAC Chengdu Ltd ("UCD") when the Group's equity interest in UCD Cayman increased from 33.7% to 90.0%.

The holder of the remaining 10.0% equity interest in UCD Cayman had the right to require the Group to purchase all of the 10.0% equity interest in UCD Cayman at a price equal to the higher of (i) 10.0% of the book value of UCD Cayman on 1 March 2011 plus interest of 3.5% per annum calculated from 1 March 2011, or (ii) 10.0% of the book value of UCD Cayman at the time of sale ("Put Option"), during the five year period commencing from the first anniversary of the listing of UTAC Holdings Ltd. ("Option Effective Period") on the Singapore Stock Exchange Securities Trading Limited ("SGX"). The Group also had the right to require the holder of the remaining 10.0% equity interest in UCD Cayman to sell its 10.0% equity interest in UCD Cayman at the same price during the Option Effective Period ("Call Option"). The Group evaluated the terms of the Put/Call Option and assessed that the Group bore the risk and rewards of the remaining 10.0% equity interest in UCD Cayman. Accordingly, the Group consolidated 100% of the post-acquisition results of UCD Cayman, recognised a redemption liability and did not recognise any non-controlling interests on the acquisition.

In 2013, the Group acquired the remaining 10.0% equity interest in UCD Cayman and recognised a loss amounting to US$323,000 on settlement of the redemption liability (Note 6).

26. Provision

	2014 **US$'000**	2013 US$'000
Current		
Legal claims	**2,000**	2,000

The provisions are in respect of certain legal claims brought against the Group as a result of a contractual dispute with another party and past services rendered by the Group. The directors consider that disclosure of further details of these claims could seriously prejudice the Group's interests in the pending litigation.

Movement in provision for legal claims is as follows:

	2014 **US$'000**	2013 US$'000
Beginning of financial year	**2,000**	2,250
Provision utilised	**-**	(250)
End of financial year	**2,000**	2,000

27. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2014 **US$'000**	2013 US$'000
Deferred income tax assets:		
- To be recovered within one year	**316**	2,505
Deferred income tax liabilities:		
- To be settled within one year	**(2,963)**	(2,503)
- To be settled after one year	**(3,487)**	(6,940)
	(6,450)	(9,443)

27. Deferred income taxes (continued)

The movement in the deferred income tax account is as follows:

	2014 **US$'000**	2013 US$'000
Beginning of financial year	**(6,938)**	(13,956)
Currency translation differences	**(268)**	(59)
Tax credited to:		
- Profit or loss (Note 10(a))	**990**	6,756
- Equity	**82**	321
End of financial year	**(6,134)**	(6,938)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has the following unrecognised tax losses and capital allowances at the balance sheet date:

	2014 **US$'000**	2013 US$'000
Tax losses	**130,288**	124,154
Capital allowances	**92,377**	106,673

The unrecognised tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

The unrecognised tax losses of US$101,999,000 (2013: US$106,333,000) and capital allowances of US$92,377,000 (2013: US$106,673,000) of the Group do not have expiry dates.

The remaining unrecognised tax losses expire in the following years:

	2014 **US$'000**	2013 US$'000
Tax losses		
2014	**-**	2,269
2017	**6,093**	6,164
2018	**9,280**	9,388
2019	**12,916**	-
	28,289	17,821

27. Deferred income taxes (continued)

No deferred tax benefits in respect of the above tax losses have been recognised in the financial statements of the Group at the balance sheet date as its realisation is not probable.

Deferred income tax liabilities of US$32,623,000 (2013:US$29,714,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group is able to control the timing of the distribution and no distribution is anticipated in the foreseeable future. Such amounts are permanently reinvested. These unremitted earnings totalled US$627,053,000 (2013: US$516,278,000) as at 31 December 2014.

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

Deferred income tax assets

	Impairment losses US$'000	Post employment benefits US$'000	Tax losses US$'000	Other US$'000	Total US$'000
Group					
2014					
Beginning of financial year	235	2,311	2,325	1,711	6,582
Tax credited/(charged) to:					
- Profit or loss	(189)	(101)	(1,898)	(353)	(2,541)
- Equity	-	37	-	-	37
Currency translation differences	4	(230)	-	(42)	(268)
End of financial year	50	2,017	427	1,316	3,810
2013					
Beginning of financial year	380	2,277	2,325	1,750	6,732
Tax credited/(charged) to:					
- Profit or loss	(145)	(165)	-	(36)	(346)
- Equity	-	147	-	108	255
Currency translation differences	-	52	-	(111)	(59)
End of financial year	235	2,311	2,325	1,711	6,582

27. Deferred income taxes (continued)

Deferred income tax liabilities

	Tax depreciation/ amortisation US$'000	Other US$'000	Total US$'000
Group			
2014			
Beginning of financial year	(12,127)	(1,393)	(13,520)
Tax credited to:			
- Profit or loss	3,528	3	3,531
- Equity	-	45	45
End of financial year	(8,599)	(1,345)	(9,944)
2013			
Beginning of financial year	(19,226)	(1,462)	(20,688)
Tax credited to:			
- Profit or loss	7,099	3	7,102
- Equity	-	66	66
End of financial year	(12,127)	(1,393)	(13,520)

28. Long term benefit obligations

	2014 US$'000	2013 US$'000
Post-employment benefit obligations	**21,065**	20,616
Other long term benefit obligations	**1,291**	1,225
	22,356	21,841

(a) The post-employment benefit obligations under defined benefit plans recognised in the balance sheet are as follows:

	2014 US$'000	2013 US$'000
Present value of funded obligations	**22,462**	21,545
Fair value of plan assets	**(1,397)**	(1,535)
Deficit of funded plans	**21,065**	20,010
Present value of unfunded obligations	**-**	606
Liability recognised in the balance sheet	**21,065**	20,616
Present value of defined post-employment benefit obligations	**22,462**	22,151
Fair value of plan assets	**(1,397)**	(1,535)
Deficit	**21,065**	20,616

The plan assets consist of bank deposits contributed monthly in accordance with local laws and money market investments.

28. Long term benefit obligations (continued)

(b) Movement in the defined post-employment benefit obligation is as follows:

	2014 **US$'000**	2013 US$'000
Beginning of financial year	**22,151**	22,563
Current service cost	**1,055**	901
Interest cost	**755**	632
Remeasurements:		
- Losses from change in demographic assumptions	**-**	54
- Losses from change in financial assumptions	**1,155**	1,515
- Experiences (gains)/losses	**(809)**	397
	346	1,966
Benefits paid	**(1,283)**	(2,015)
Currency translation differences	**(562)**	(1,896)
End of financial year	**22,462**	22,151

(c) Movement in the fair value of plan assets relating to defined post-employment benefit obligations is as follows:

	2014 **US$'000**	2013 US$'000
Beginning of financial year	**(1,535)**	(2,802)
Expected return on plan assets	**(30)**	(41)
Remeasurements:		
- Experiences (gains)/losses	**(22)**	6
Contributions paid	**(161)**	(190)
Benefits paid	**269**	1,421
Currency translation differences	**82**	71
End of financial year	**(1,397)**	(1,535)

(d) The amounts recognised in profit or loss relating to post-employment benefit obligations are as follows:

	2014 **US$'000**	2013 US$'000
Current service cost	**1,055**	901
Interest cost	**755**	632
Expected return on plan assets	**(30)**	(41)
Total, included in "Employee compensation" (Note 8)	**1,780**	1,492

28. Long term benefit obligations (continued)

(e) The principal actuarial assumptions used for post-employment defined benefit obligations are as follows:

	2014	2013
Discount rate	**2.00% - 3.90%**	2.00% - 4.45%
Expected return on plan assets	**0.00%**	0.00%
Actual return on plan assets	**0.00%**	0.00%
Future salary increases	**3.00% - 10.00%**	3.00% -10.00%

29. Share capital / Capital contribution from immediate holding corporation

The Company's share capital comprises 200 (2013: 200) fully paid-up ordinary shares with par value of US$1.00 (2013: US$1.00), amounting to a total of US$200 (2013: US$200), for the purposes of incorporation.

A capital contribution of US$698,000,000 was made by the immediate holding corporation of the Company, during the financial period from 22 June 2007 (date of incorporation) to 31 December 2007, for the purposes of funding part of the acquisition of a subsidiary.

30. Other reserves

(a) Composition:

	2014 US$'000	2013 US$'000
Hedging reserve – cash flow hedge (Note 30(b)(i))	-	(1,148)
Currency translation reserve (Note 30(b)(ii))	183	188
Share option reserve (Note 30(b)(iii))	93	112
Long term benefit reserve (Note 30(b)(iv))	(6,152)	(5,888)
	(5,876)	(6,736)

(b) Movements:

	2014 US$'000	2013 US$'000
(i) Hedging reserve - cash flow hedge		
Beginning of financial year	(1,148)	(71)
Fair value losses	-	(1,521)
Reclassified to cost of sales	1,148	409
Less: Non-controlling interests	-	35
End of financial year	-	(1,148)
(ii) Currency translation reserve		
Beginning of financial year	188	185
Net currency translation differences of financial statements of foreign subsidiaries and associated company	(5)	3
End of financial year	183	188
(iii) Share option reserve		
Beginning of financial year	112	401
Employee shares option scheme - Share options expired	(19)	(289)
End of financial year	93	112
(iv) Long term benefit reserve		
Beginning of financial year	(5,888)	(4,113)
Remeasurements	(324)	(1,972)
Tax on remeasurements	37	147
Less: Non-controlling interests	23	50
	(264)	(1,775)
End of financial year	(6,152)	(5,888)

31. Share-based payment

On 6 February 2009, Global A&T Holdings ("GATH"), the Company's ultimate holding corporation, adopted a Management Equity Incentive Plan (the "Plan") for the benefit of key management team members and other executives of the Group. The Plan governs the award of options to purchase ordinary shares of GATH ("Options"), and the award of restricted ordinary shares of GATH to certain eligible persons.

The Plan is administered by GATH's board of directors or a committee appointed by the board which can determine the eligible participants, the exercise price and vesting date of the Options. Upon termination of an option holder's employment, all Options that have not become exercisable shall expire and those Options that have become exercisable will expire a certain period of time after the employment is terminated depending on the manner in which the employment is terminated. On 24 August 2010, the GATH Board granted fully vested options exercisable into ordinary shares of GATH to key management personnel and other employees of the Group. There was no share options granted subsequent to 24 August 2010.

The number and exercise price of share options are as follows:

	Exercise price US$	**Number of options '000**
Beginning of financial year	1.00	376
Share options expired	1.00	(63)
End of financial year	1.00	313

Stock options were valued at their granted date fair value using the Binomial valuation model. Valuations incorporate several variables, including expected term, expected volatility, and a risk-free interest rate.

The expected term represents the contractual life of the options. The expected volatility input is measured at the standard deviation of statistical analysis of weekly volatility of share prices of comparable publicly listed companies. The risk-free interest rate is based on zero-coupon United States Treasury yields at the date of valuation.

The fair value of the option granted in 2010 was estimated using the Binomial valuation model with the following assumptions:

	2010
Expected term of option	7.0 years
Expected volatility	43.69%
Risk-free interest rate	1.91%

32. Contingent liabilities

The Group is subject to claims and litigations that arise in the normal course of business. The Group accrues liability associated with these claims and litigations when they are probable and reasonably estimated.

(a) 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 the Company's Senior Secured Notes due 2019, alleging certain claims in relation to the issuance of the $502.3 million in aggregate principal amount of Senior Secured Notes on 30 September 2013. The claims asserted include alleged breaches of the Company's intercreditor agreement and indenture, fraudulent inducement and fraud with respect to certain plaintiffs' purported purchases of the Senior Secured Notes. The plaintiffs seek monetary damages and declaratory relief, including a declaration that the issuance of the Senior Secured Notes on 30 September 2013 caused an event of default under the indenture. The Group is of the view that it has substantial defences to these claims and intends to vigorously defend the plaintiffs' lawsuit. On 30 May 2014, the Company filed a motion to dismiss the plaintiffs' complaint. The motion to dismiss was heard by the court on 13 January 2015. The judge will issue her written decision in due course. The Group will inform stakeholders promptly of any updates on the court proceedings.

(b) Litigation with Tessera

On 30 September 2010, Tessera, Inc. ("Tessera") filed a complaint against UTAC (Taiwan) Corporation ("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 16 March 2011. On 28 March 2012, the court granted UTC's motion to dismiss with leave for Tessera to file an amended complaint by 19 April 2012. Tessera filed an amended complaint on 19 April 2012, and UTC filed its answer on 17 May 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 31 March 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 8 July 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 30 January 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 21 May 2015. In addition, a case management conference has been scheduled for 21 May 2015. The Group will continue to vigorously defend its interests in this suit. The case is ongoing.

32. Contingent liabilities (continued)

(c) Suit filed by Amkor Technology

On 4 April 2014, Amkor Technology, Inc. ("Amkor") filed a complaint against the Company and certain of its subsidiaries in the Superior Court of Arizona. The suit relates to patent licenses between Amkor and certain of the Company's subsidiaries. The Group filed a motion to dismiss Amkor's complaint on 12 August 2014 and on 5 January 2015, the court dismissed 7 out of the 9 claims made by Amkor in the complaint. On 13 February 2015, Amkor filed an amended complaint in which it reasserted the 2 claims that had not been dismissed and 1 claim that had been dismissed. Amkor's amended complaint also confirmed that it is not seeking to reassert 6 of the claims that were dismissed, but is reserving a right to appeal the dismissal of those claims. The nature of the remaining 3 claims made by Amkor relate to the payment of royalties by one of the Company's subsidiaries, a claim against UTAC Hong Kong Limited ("UHK", a subsidiary of the Company, formerly known as ASAT Ltd.) that certain alleged events triggered a right for Amkor to seek to purchase certain patents belonging to ASAT Ltd. and that ASAT Ltd. allegedly breached the confidentiality provisions of the license, and a claim for breach of an implied covenant of good faith and fair dealing. On 24 March 2015, the Group filed a motion to dismiss the claims against UHK and the Group filed an answer to the other claims. The Group will continue to vigorously defend its interests in this suit. The case is ongoing.

The Group has disclaimed the liabilities. No provision in relation to these claims has been recognised, as legal advice indicates that it is not probable that significant liabilities will arise.

33. Commitments

(a) Capital commitments

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

	2014	2013
	US$'000	US$'000
Property, plant and equipment	**16,605**	17,431

(b) Operating lease commitments - where the Group is a lessee

The Group has a piece of land under non-cancellable operating leases for a 30-year period commencing 1 October 1994 and renewable for a further 30 years subject to the fulfilment of certain conditions.

The Group leases a piece of land and building under a non-cancellable operating lease for a 5-year period commencing 1 November 2012 and has an option to purchase the land and building at the end of the 5-year period.

The Group also leases two buildings and its associated facilities under non-cancellable operating leases commencing 1 January 2008 for 10.7-year and 11.6-year periods respectively and renewable for further 6 months before the end of the respective leases.

The Group also leases other pieces of lands, several offices and plant and machinery under non-cancellable operating leases. The leases have varying terms and renewal rights.

33. Commitments

(b) Operating lease commitments - where the Group is a lessee (continued)

Lease terms for lands, building, offices and plant and machinery do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents. The rental expenses on operating leases charged to profit or loss during the financial year is disclosed in Note 7.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2014	2013
	US$'000	US$'000
Not later than one year	**7,053**	6,083
Between one and five years	**18,871**	16,795
Later than five years	**4,745**	5,016
	30,669	27,894

34. Financial risk management

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performances. The Group uses derivative financial instruments such as foreign exchange contracts and gold par forward contracts to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes policies such as risk identification and measurements, exposure limits and hedging strategies. Financial risk management is carried out by finance personnel.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, Thailand, the People's Republic of China and Taiwan. Entities in the Group regularly transact in currencies other than the functional currency of the respective entities in the Group, which is United States Dollar ("USD").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies, primarily Singapore Dollar ("SGD"), Thailand Baht ("THB"), Taiwan Dollar ("TWD"), Japanese Yen ("JPY") and Renminbi ("RMB").

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

To manage the currency risk, the Group may enter into currency forwards to hedge primarily against the USD from time to time. The Group Treasury's risk management policy is to hedge certain percentage of the monthly forecasted foreign currency denominated operating expenses (mainly salaries and utilities), depending on the forward rates negotiated with the respective banks and subject to approval by the Group's Chief Financial Officer. The Group's forward contracts qualified as cash flow hedges against highly probable forecasted transactions in foreign currencies.

The Group's currency exposure based on the information provided to key management is as follows:

	USD US$'000	SGD US$'000	THB US$'000	TWD US$'000	JPY US$'000	RMB US$'000	Other US$'000	Total US$'000
At 31 December 2014								
Financial assets								
Cash and bank deposits	194,531	11,649	12,138	15,015	288	7,306	326	241,253
Trade and other receivables	103,178	102	10,174	2,636	-	6,686	573	123,349
Deposits	62	66	-	632	-	428	-	1,188
Available-for-sale financial assets	158	-	-	862	-	-	-	1,020
Total financial assets	297,929	11,817	22,312	19,145	288	14,420	899	366,810
Financial liabilities								
Borrowings	(1,092,584)	-	(6,666)	-	-	-	-	(1,099,250)
Trade and other payables	(147,571)	(11,715)	(5,573)	(3,611)	(1,142)	(6,401)	(1,960)	(177,973)
Total financial liabilities	(1,240,155)	(11,715)	(12,239)	(3,611)	(1,142)	(6,401)	(1,960)	(1,277,223)
Net financial assets/(liabilities)	(942,226)	102	10,073	15,534	(854)	8,019	(1,061)	(910,413)
Less: Net financial liabilities denominated in USD functional currency	942,226	-	-	-	-	-	-	942,226
Net currency exposure	-	102	10,073	15,534	(854)	8,019	(1,061)	31,813
At 31 December 2013								
Financial assets								
Cash and bank deposits	153,376	5,689	29,785	6,867	901	20,803	434	217,855
Trade and other receivables	90,157	8	3,783	4,568	6	7,612	613	106,747
Deposits	1,272	2,574	-	719	-	250	-	4,815
Available-for-sale financial assets	63	-	-	1,320	-	-	-	1,383
Total financial assets	244,868	8,271	33,568	13,474	907	28,665	1,047	330,800
Financial liabilities								
Borrowings	(1,093,452)	(9)	(401)	-	-	-	-	(1,093,862)
Trade and other payables	(102,268)	(8,563)	(8,889)	(2,884)	(1,797)	(7,056)	(756)	(132,213)
Total financial liabilities	(1,195,720)	(8,572)	(9,290)	(2,884)	(1,797)	(7,056)	(756)	(1,226,075)
Net financial assets/(liabilities)	(950,852)	(301)	24,278	10,590	(890)	21,609	291	(895,275)
Less: Net financial liabilities denominated in USD functional currency	950,852	-	-	-	-	-	-	950,852
Add: Highly probable forecast transactions in foreign currencies	-	89,557	107,866	-	-	91,919	-	289,342
Less: Currency forwards	-	(22,729)	(30,000)	-	-	(32,099)	-	(84,828)
Net currency exposure	-	66,527	102,144	10,590	(890)	81,429	291	260,091

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the SGD, THB, TWD, JPY, RMB change against the USD by 2% (2013: 1%), 1% (2013: 4%), 2% (2013: 1%), 6% (2013: 4%) and 1% (2013: 1%) respectively, with all other variables including tax rate held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(Decrease) in loss after tax	
	2014	2013
	US$'000	US$'000
SGD against USD		
- strengthened	**(2)**	(665)
- weakened	**2**	665
THB against USD		
- strengthened	**(81)**	(3,575)
- weakened	**81**	3,575
TWD against USD		
- strengthened	**(258)**	(88)
- weakened	**258**	88
JPY against USD		
- strengthened	**43**	36
- weakened	**(43)**	(36)
RMB against USD		
- strengthened	**(60)**	(814)
- weakened	**60**	814

(ii) Price risk

The Group was exposed to changes in gold prices arising from the gold par forward contracts held by the Group which are classified on the consolidated balance sheets as derivative financial instruments as at 31 December 2013. These gold par forward contracts qualified as cash flow hedges against highly probable forecast purchase of gold wires. If gold prices increased/(decreased) by 11% as at 31 December 2013 with all other variables being held constant, other comprehensive income would have increased/(decreased) by approximately US$67,000.

The Group did not hold any gold par forward contracts as at 31 December 2014.

34. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group have no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group have no exposure to interest rate risk as their interest-bearing liabilities bear fixed interest rate.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank deposits, trade receivables and derivative financial instruments. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with credit worthy institutions to minimise counterparty risk. Derivative financial instruments are placed in bank and financial institutions with good credit rating.

The Group have concentration of credit risk in respect of a few major customers. The trade receivables of the Group comprise 4 debtors (2013: 4 debtors) that individually represented 5 - 20% of trade receivables. Management believes that the concentration of credit risk in trade receivables is mitigated substantially by their credit evaluation process, credit policies, credit control, collection procedures and trade credit insurance cover, and also believes that no significant credit risk is inherent in the Group's trade receivables in the current financial year, which have not already been impaired.

As the Group does not hold any significant collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments, including derivative financial instruments, presented on the consolidated balance sheets.

The Group's credit risk exposure on trade receivables are largely from multi-national corporations and other established corporations within the semiconductor industry.

34. Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with higher credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	2014 US$'000	2013 US$'000
Group		
Past due < 3 months	**8,650**	7,778
Past due 3 to 6 months	**384**	83
Past due over 6 months	**532**	711
	9,566	8,572

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2014 US$'000	2013 US$'000
Gross amount	**76**	402
Less: Allowance for impairment	**(76)**	(402)
	-	-
Balance at beginning of financial year	**402**	620
Allowance made	**28**	264
Allowance utilised	**(354)**	(482)
Balance at end of financial year	**76**	402

The impaired trade receivables arise mainly from sales to specific customers which have defaulted payments due to going concern issues. The Group has since ceased sales to these customers.

34. Financial risk management (continued)

(c) Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments, including the repayment of interest arising from borrowings.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year US$'000	Between one and two years US$'000	Between two and five years US$'000	Over five years US$'000
Group				
At 31 December 2014				
Trade and other payables	(177,973)	-	-	-
Borrowings	(115,154)	(114,886)	(1,364,780)	-
Total	(293,127)	(114,886)	(1,364,780)	-

	Less than one year US$'000	Between one and two years US$'000	Between two and five years US$'000	Over five years US$'000
Group				
At 31 December 2013				
Gross settled currency forwards				
- Receipts	83,863	-	-	-
- Payments	(84,828)	-	-	-
Trade and other payables	(132,213)	-	-	-
Borrowings	(105,968)	(114,512)	(343,187)	(1,184,872)
Total	(239,146)	(114,512)	(343,187)	(1,184,872)

34. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the return of capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on debt to equity ratio. The debt to equity ratio is calculated as total borrowings divided by total capital. Total borrowings (including current and non-current borrowings) are as shown in the consolidated balance sheet. Total capital is calculated as equity plus total borrowings.

	2014 US$'000	2013 US$'000
Total borrowings	**1,099,250**	1,093,862
Total equity	**304,225**	361,796
Total capital	**1,403,475**	1,455,658
Debt to equity ratio	**78.3%**	75.1%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2014.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

34. Financial risk management (continued)

(e) Fair value measurements (continued)

Financial assets/(liabilities) measured at fair values

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2014				
Assets				
Available-for-sale financial assets	156	-	-	156
Total assets	**156**	**-**	**-**	**156**
2013				
Assets				
Derivative financial instruments	-	217	-	217
Available-for-sale financial assets	60	-	-	60
Total assets	**60**	**217**	**-**	**277**
Liabilities				
Derivative financial instruments	-	1,034	-	1,034
Total liabilities	**-**	**1,034**	**-**	**1,034**

There were no transfers between level 1 and 2 during the financial years ended 31 December 2013 and 2014.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2 derivative financial instruments comprise currency forwards and gold par forwards. These currency forwards and gold par forwards have been fair valued using actively quoted forward exchange rates and gold prices respectively.

During the financial years ended 31 December 2013 and 2014, no derivative financial instruments were transferred from Level 2 to Level 3.

There were no changes in valuation techniques during the financial year.

34. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is disclosed on the face of the consolidated balance sheets and in Notes 12 and 17, except for the following:

	2014 **US$'000**	2013 US$'000
Loans and receivables	**365,790**	329,417
Financial liabilities at amortised cost	**1,277,223**	1,226,075

(g) Financial instruments subject to enforceable master netting arrangements

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are no financial assets or liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

35. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Provision of services

	Group **2014** **US$'000**
Payments made on behalf and reimbursed for related corporations	**1,151**
Management fee charged to a related corporation	**1,543**

Outstanding balances at 31 December 2014, arising from transactions with related corporations, are unsecured and payable within 12 months from balance sheet date and are disclosed in Note 13.

(b) Key management personnel compensation

	2014 **US$'000**	2013 US$'000
Wages and salaries	**5,474**	5,112
Termination benefits	**-**	691
Employer's contribution to defined contribution plans, including Central Provident Fund	**75**	89
	5,549	5,892

36. Immediate and ultimate holding corporations

The Company's immediate holding corporation is UTAC Holdings Ltd., incorporated in Singapore. The Company's ultimate holding corporation is Global A&T Holdings, incorporated in Cayman Islands. Global A&T Holdings is jointly controlled by TPG Capital and Affinity Equity Partners.

37. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee (the "Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and other senior management.

The Exco reviews the financial information of assembly and test services segment periodically as part of the overall performance evaluation and resource allocation decision making process.

Production facilities in Asia are engaged in the test and assembly services for integrated circuits used in a mixed signal and logic products, analog and memory products, all of which are used primarily in the communications and consumer and computing end-markets. Other geographic locations are engaged in the marketing of these services.

The segment information provided to the Exco for the reportable segments are as follows:

	Assembly US$'000	Test US$'000	Group US$'000
2014			
Segment sales	483,668	250,453	734,121
Segment gross profit	62,650	59,277	121,927
Segment assets			
Property, plant and equipment	**177,540**	**233,135**	**410,675**
Goodwill	**295,185**	**348,220**	**643,405**
Intangible assets	**18,804**	**520**	**19,324**
	491,529	**581,875**	**1,073,404**
2013			
Segment sales	501,457	246,939	748,396
Segment gross profit	56,308	41,438	97,746
Segment assets			
Property, plant and equipment	203,447	232,715	436,162
Goodwill	295,185	348,220	643,405
Intangible assets	22,822	1,227	24,049
	521,454	582,162	1,103,616

The revenue reported to the Exco is measured in a manner consistent with that in the consolidated statements of comprehensive income.

Gross profit of the operating segments is one of the performance measurement assessed by the Exco. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Corporate Treasury department, which manages the cash position of the Group.

37. Segment information (continued)

(a) Reconciliations

(i) Segment profits

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

	2014 US$'000	2013 US$'000
Segment gross profit of reportable segments	**121,927**	97,746
Other income	**8,866**	7,673
Other gains – net	**35,187**	29,611
Selling, general and administrative expenses	**(65,438)**	(57,704)
Research and development expenses	**(11,109)**	(12,275)
Finance expenses	**(120,664)**	(120,655)
Other operating expenses	**(11,673)**	(16,399)
Share of loss of associated company	**-**	(4,457)
Loss before income tax	**(42,904)**	(76,460)

(ii) Segment assets

The amounts provided to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Exco monitors the property, plant and equipment and intangible assets attributable to each segment. All other assets are not allocated to reportable segments and are not monitored at the segment level.

Segment assets are reconciled to total assets as follows:

	2014 US$'000	2013 US$'000
Segment assets for reportable segments	**1,073,404**	1,103,616
Unallocated:		
Property, plant and equipment	**92,811**	99,995
Intangible assets	**30,355**	41,291
Available-for-sale financial assets	**1,020**	1,383
Derivative financial instruments	**-**	217
Trade and other receivables	**123,349**	106,747
Inventories	**41,045**	33,548
Cash and bank deposits	**241,253**	217,855
Other current assets	**7,010**	10,368
Deferred income tax asset	**316**	2,505
Other non-current assets	**7,230**	9,808
Non-current assets held-for-sale	**3,271**	-
Total assets	**1,621,064**	1,627,333

37. Segment information (continued)

(a) Reconciliations (continued)

(iii) Segment liabilities

The Exco evaluates liabilities as a whole and do not allocate and monitor liabilities at the reportable segment level.

(b) Geographical information

The Group's segment revenue identified by the location of customers' headquarters is as follows:

	2014 US$'000	2013 US$'000
United States	**484,620**	475,897
Taiwan	**116,279**	110,695
China	**23,842**	40,600
Germany	**23,489**	21,734
Switzerland	**30,850**	33,343
France	**5,157**	10,434
Japan	**25,083**	25,810
Korea	**8,032**	19,735
Singapore	**-**	324
The Netherlands	**13,279**	5,798
Others	**3,490**	4,026
	734,121	748,396

The Group's segment non-current assets (excluding goodwill) identified are located in four main geographical areas:

	2014 US$'000	2013 US$'000
Singapore	**170,237**	183,641
Taiwan	**113,605**	99,326
China	**79,560**	93,624
Thailand	**66,597**	83,620
	429,999	460,211

(c) Revenue from major customers

The Group's 10 largest customers by sale, in aggregate, accounted for 66% (2013: 63%) of total revenue. These customers are attributable to the assembly and test services segment.

38. New or revised accounting standards and interpretations

The Group has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning on or after 1 January 2015. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Group in the period of their initial adoption.

39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Global A&T Electronics Ltd on 20 April 2015.

40. Listing of companies in the Group

(a) The active subsidiaries of Global A&T Electronics Ltd are as follows:

Name of Company	Principal activities	Country of business/ incorporation	Equity holding 2014 %	Equity holding 2013 %
United Test and Assembly Center Ltd +++	Provides assembly and testing of semiconductors services and corporate office functions	Singapore	**100.0**	100.0
UTAC (Taiwan) Corporation +	Provides assembly and test services	Taiwan	**100.0**	100.0
UTAC (Shanghai) Co., Ltd. +++++	Provides assembly and test services	People's Republic of China	**100.0**	100.0
UTAC Hong Kong Limited ++++	Sales and corporate functions and holding company	Hong Kong	**100.0**	100.0
UTAC Cayman Ltd. ++++	Investment holding company	Cayman Islands	**100.0**	100.0
UTAC Dongguan Ltd ++++	Provides assembly and test services for package integrated circuits	People's Republic of China	**100.0**	100.0
UCD Cayman Ltd**	Investment holding company	Cayman Islands	**100.0**	100.0
UTAC Chengdu Ltd**	Provides assembly and testing of semiconductors services	People's Republic of China	**100.0**	100.0

40. Listing of companies in the Group (continued)

(a) The active subsidiaries of Global A&T Electronics Ltd are as follows (continued):

Name of Company	Principal activities	Country of business/ incorporation	Equity holding 2014 %	Equity holding 2013 %
UTAC Thai Holdings Limited ++	Holding company	Thailand	**100.0**	100.0
UTAC Thai Limited ++	Provides assembly and test services	Thailand	**97.3**	97.3
UTAC Group Global Sales Ltd *	Sales and corporate functions and holding company	Cayman Islands	**100.0**	100.0
UGS America Sales Inc. *	Provides sales and marketing services	United States	**100.0**	100.0
UGS Asia Sales Pte. Ltd. +++	Provides sales and marketing services	Singapore	**100.0**	100.0
UGS China Sales Ltd ***	Provides sales and marketing services	People's Republic of China	**100.0**	100.0
UGS Europe Sales S.r.l *	Technical and commercial services	Italy	**100.0**	100.0
UGS UK Sales Ltd *	Provides sales and marketing services	United Kingdom	**100.0**	100.0

* Not required to be audited by law in their countries of incorporation
** Audited by 四川必达会计师事务所有限公司 (Sichuan Bida Certified Public Accountants)
*** Audited by Shanghai Xiao Tian Cheng Certified Public Accountants Co., Ltd, Shanghai
+ Audited by PricewaterhouseCoopers, Taiwan
++ Audited by PricewaterhouseCoopers, Thailand
+++ Audited by PricewaterhouseCoopers LLP, Singapore
++++ Audited by PricewaterhouseCoopers, Hong Kong
+++++ Audited by PricewaterhouseCoopers Zhong Tian LLP 普华永道中天会计师事务所（特殊普通合伙）

(b) The active associated company of Global A&T Electronics Ltd is as follows:

Name of Company	**Principal activities**	**Country of business/ incorporation**	**Equity holding** 2014 %	**Equity holding** 2013 %
Nepes Pte. Ltd. # (1)	Provides wafer bumping services	Singapore	-	19.9

\# Audited by KPMG LLP, Singapore
(1) Investment in Nepes Pte. Ltd. was treated as an associate of the Group notwithstanding that the Group held less than 20% of the voting power in this company on grounds that the Group exercised significant influence by virtue of representation on the board of Nepes Pte. Ltd. This associated company was disposed on 14 May 2014.

FINANCIAL STATEMENTS

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GLOBAL A&T ELECTRONICS LTD

(Incorporated in Cayman Islands. Registration Number: MC-189744)

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

GLOBAL A&T ELECTRONICS LTD
(Incorporated in Cayman Islands)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

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GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2013

In the opinion of the directors,

(a) the consolidated financial statements of the Group as set out on pages 3 to 67 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and

(b) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the directors

MOK WENG SUN
Director

SCOTT YUE CHEN
Director

18 MAR 2014

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF GLOBAL A&T ELECTRONICS LTD

We have audited the accompanying financial statements of Global A&T Electronics Ltd and its subsidiaries (the "Group") set out on pages 3 to 67, which comprise the consolidated balance sheet of the Group as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 18 March 2014

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2013

	Note	Group 2013 US$'000	Group 2012 US$'000 (restated)
Sales	4	**748,396**	930,099
Cost of sales		**(650,650)**	(795,222)
Gross profit		**97,746**	134,877
Other income - net	4	**37,284**	7,212
Expenses			
- Selling, general and administrative		**(57,704)**	(63,891)
- Research and development		**(12,275)**	(18,812)
- Finance	7	**(120,655)**	(79,572)
- Others		**(16,399)**	(12,246)
Share of (loss)/profit of associated company	15	**(4,457)**	732
Loss before income tax	5	**(76,460)**	(31,700)
Income tax expense	8(a)	**(2,463)**	(13,693)
Loss after tax		**(78,923)**	(45,393)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
- Fair value (losses)/gains	26	**(1,521)**	11,323
- Reclassification	26	**409**	3,484
Currency translation differences arising from consolidation	26	**3**	39
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements on post employment benefit obligation, net of tax	26	**(1,825)**	(128)
Other comprehensive (loss)/income, net of tax		**(2,934)**	14,718
Total comprehensive loss		**(81,857)**	(30,675)
Loss attributable to:			
Equity holder of the Company		**(80,250)**	(47,109)
Non-controlling interests		**1,327**	1,716
		(78,923)	(45,393)
Total comprehensive loss attributable to:			
Equity holder of the Company		**(83,099)**	(32,526)
Non-controlling interests		**1,242**	1,851
		(81,857)	(30,675)

The accompanying notes form an integral part of these financial statements.

GLOBAL A&T ELECTRONICS LTD
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As at 31 December 2013

	Note	**31 December 2013 US$'000**	Group 31 December 2012 US$'000 (restated)	1 January 2012 US$'000 (restated)
ASSETS				
Current assets				
Cash and bank deposits	9	**217,855**	201,219	269,432
Derivative financial instruments	10	**217**	1,600	409
Trade and other receivables	11	**106,747**	138,356	147,719
Inventories	12	**33,548**	43,503	54,094
Other current assets	13	**10,368**	12,467	9,089
		368,735	397,145	480,743
Non-current assets				
Other non-current assets	13	**9,808**	7,949	7,386
Deferred income tax assets	23	**2,505**	2,505	2,617
Available-for-sale financial assets	14	**1,383**	1,323	3,758
Investment in associated company	15	**-**	4,457	3,725
Property, plant and equipment	16	**536,157**	655,962	752,533
Intangible assets	17	**708,745**	725,051	740,931
		1,258,598	1,397,247	1,510,950
Total assets		**1,627,333**	1,794,392	1,991,693
LIABILITIES				
Current liabilities				
Trade and other payables	18	**132,213**	128,689	165,297
Derivative financial instruments	10	**1,034**	1,117	16,445
Borrowings	19	**188**	17,033	11,635
Current income tax liabilities	8(b)	**4,976**	13,145	15,719
Redemption liability	21	**-**	1,781	-
Provision	22	**2,000**	2,250	-
		140,411	164,015	209,096
Non-current liabilities				
Redemption liability	21	**-**	-	1,587
Borrowings	19	**1,093,674**	1,146,944	1,263,989
Deferred income		**168**	87	149
Deferred income tax liabilities	23	**9,443**	16,461	17,877
Long term benefit obligations	24	**21,841**	21,497	19,766
		1,125,126	1,184,989	1,303,368
Total liabilities		**1,265,537**	1,349,004	1,512,464
NET ASSETS		**361,796**	445,388	479,229
EQUITY				
Capital and reserves attributable to equity holder of the Company				
Share capital	25	*	*	*
Capital contribution	25	**698,000**	698,000	698,000
Other reserves	26	**(6,736)**	(3,598)	(18,181)
Accumulated losses		**(334,898)**	(254,937)	(207,828)
		356,366	439,465	471,991
Non-controlling interests		**5,430**	5,923	7,238
Total equity		**361,796**	445,388	479,229

* Amount less than US$1,000

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	← Attributable to equity holder of the Company →						
	Share capital US$'000	Capital contribution US$'000	Other reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
2013							
Beginning of financial year (restated)	*	698,000	(3,598)	(254,937)	439,465	5,923	445,388
Dividend to non-controlling interests	-	-	-	-	-	(1,735)	(1,735)
Reclassification	-	-	(289)	289	-	-	-
Total comprehensive (loss)/income for the year	-	-	(2,849)	(80,250)	(83,099)	1,242	(81,857)
End of financial year	*	698,000	(6,736)	(334,898)	356,366	5,430	361,796
2012							
Beginning of financial year (restated)	*	698,000	(18,181)	(207,828)	471,991	7,238	479,229
Dividend to non-controlling interests	-	-	-	-	-	(3,166)	(3,166)
Total comprehensive income/(loss) for the year	-	-	14,583	(47,109)	(32,526)	1,851	(30,675)
End of financial year (restated)	*	698,000	(3,598)	(254,937)	439,465	5,923	445,388

An analysis of the movements in each category within "Other reserves" is presented in Note 26.

* Amount less than US$1,000

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000 (restated)
Cash flows from operating activities			
Loss after tax		**(78,923)**	(45,393)
Adjustments for:			
- Income tax expense		**2,463**	13,693
- Depreciation of property, plant and equipment		**151,734**	162,884
- Impairment of property, plant and equipment		**1,664**	870
- Impairment loss on available-for-sale financial assets		**-**	1,767
- Write-off of intangible assets		**113**	-
- Write-off of property, plant and equipment		**252**	42
- Write-off of deferred expenditure on initial public offering		**-**	2,174
- Amortisation of intangible assets		**16,408**	16,700
- Net gain on disposal of property, plant and equipment		**(2,609)**	(1,478)
- Gain on extinguishment of borrowings, net of expenses		**(21,073)**	-
- Provision for legal claims		**-**	2,250
- Interest income		**(1,026)**	(1,470)
- Government grant income		**(349)**	(597)
- Finance expense		**120,655**	79,572
- Write back of unclaimed monies from the previous shareholders of a subsidiary		**(4,846)**	-
- Write-off of overpayment by customers		**(220)**	-
- Fair value gains on derivative financial instruments		**-**	(558)
- Loss on liquidation of subsidiaries		**-**	285
- Loss on settlement of redemption liability		**323**	-
- Share of loss/(profit) of associated company		**4,457**	(732)
		189,023	230,009
Change in working capital:			
- Derivative financial instruments		**(306)**	25
- Trade and other receivables		**31,609**	10,121
- Inventories		**9,955**	13,636
- Other assets		**(1,196)**	(6,904)
- Trade and other payables		**(27,083)**	(11,619)
- Provisions		**(250)**	-
- Long term benefit obligations		**(1,291)**	1,628
- Currency translation differences		**45**	85
Cash generated from operations		**200,506**	236,981
Government grant received		**430**	535
Income tax paid		**(16,815)**	(17,768)
Net cash provided by operating activities		**184,121**	219,748
Cash flows from investing activities			
Redemption of equity interest in a subsidiary		**(2,200)**	-
Purchases of property, plant and equipment		**(50,291)**	(99,598)
Purchases of intangible assets		**(215)**	(820)
Purchase of financial assets, available-for-sale		**(60)**	-
Proceeds from disposal of property, plant and equipment		**18,149**	5,112
Distributions from available-for-sale financial assets		**-**	668
Interest received		**942**	1,470
Net cash used in investing activities		**(33,675)**	(93,168)
Cash flows from financing activities			
Dividend paid to non-controlling interests		**(1,735)**	(3,166)
Proceed from issuance of 10% Senior Secured Notes due in 2019		**607,500**	-
Payment of financing fees		**(31,999)**	-
Repayment of borrowings		**(636,592)**	(117,206)
Repayment of finance lease liabilities		**(390)**	(572)
Interest paid		**(70,643)**	(73,731)
Net cash used in financing activities		**(133,859)**	(194,675)
Net increase/(decrease) in cash and cash equivalents		**16,587**	(68,095)
Cash and cash equivalents at beginning of financial year		**201,219**	269,314
Cash and cash equivalents at end of financial year		**217,806**	201,219
Cash and bank deposits in the consolidated balance sheet	9	**217,855**	201,219
Less: Cash subject to restrictions		**(49)**	-
Cash and cash equivalents in the consolidated statement of cash flows		**217,806**	201,219

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Global A&T Electronics Ltd (the "Company") is incorporated and domiciled in Cayman Islands. The address of its registered office is:

P.O. Box 309
Ugland House
Grand Cayman KY1 – 1104
Cayman Islands

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiaries consist of the provision of services for assembly and testing of semiconductors.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the following:

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

FRS 19 (revised 2011) Employee Benefits (effective for annual periods beginning on or after 1 January 2013)

On 1 January 2013, the Group adopted the amended FRS19 (revised 2011) that is mandatory for application from that date. The Group has applied the standard retrospectively in accordance with the transitional provisions of the standard. The impact on the Group has been in the following areas:

(i) The standard requires past service cost to be recognised immediately in profit or loss.
(ii) Actuarial gains and losses are renamed "remeasurements" and will be recognised immediately in other comprehensive income.

The effect of the change in accounting policy on the balance sheet and statement of comprehensive income of the Group at 1 January 2012 and 31 December 2012 are summarised below.

CONSOLIDATED BALANCE SHEET

	As at 1 January 2012 (previously stated) US$'000	Change in accounting policy increase/ (decrease) US$'000	As at 1 January 2012 (restated) US$'000	As at 31 December 2012 (previously stated) US$'000	Change in accounting policy increase/ (decrease) US$'000	As at 31 December 2012 (restated) US$'000
LIABILITIES						
Non-current liabilities						
Includes:						
Deferred income tax liabilities	18,658	(781)	17,877	17,179	(718)	16,461
Long term benefit obligations	14,978	4,788	19,766	16,828	4,669	21,497
EQUITY						
Capital and reserves attributable to equity holder of the Company						
Includes:						
Other reserves	(14,182)	(3,999)	(18,181)	515	(4,113)	(3,598)
Accumulated losses	(207,848)	20	(207,828)	(255,141)	204	(254,937)
Non-controlling interests	7,266	(28)	7,238	5,965	(42)	5,923

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the financial year ended 31 December 2012 (previously stated) US$'000	Change in accounting policy (increase)/ decrease US$'000	For the financial year ended 31 December 2012 (restated) US$'000
Selling, general and administrative expenses	(64,113)	222	(63,891)
Income tax expense	(13,655)	(38)	(13,693)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Amendment to FRS 1 Presentation of Items of Other Comprehensive Income

The Group has also adopted the amendment to FRS 1 Presentation of Items of Other Comprehensive Income on 1 January 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

Amendment to FRS 1 Presentation of Financial Statements – Clarification of the requirements for comparative information

This amendment arose from Annual Improvements to FRSs issued by the Accounting Standards Council in August 2012. The amendment clarified that when an entity presents a balance sheet at the beginning of the preceding period, it need not present the related notes to that balance sheet if that balance sheet was required as a result of either:
- retrospective application of an accounting policy, or
- retrospective restatement or reclassification of items in the financial statements.

However, when an entity chooses to present FRS-compliant comparative financial statements in addition to the minimum comparatives required, the entity shall present related note information for those additional statements.

FRS 113 Fair Value Measurement

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosures required by FRS 113 into the financial statements.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

2. **Significant accounting policies** (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Rendering of services*

Sales derived from provision of services for assembly and testing of semiconductors is recognised during the financial period in which the services are rendered.

(b) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Sales of scrap*

Sales of scrap is recognised when a Group entity has delivered the materials and its counterparty has accepted the materials in accordance with the sales contract.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase gain. Please refer to the paragraph "Intangible assets – Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(iii) *Disposals of subsidiaries*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holder of the Company.

(c) *Associated company*

Associated company is an entity which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investment in associated company initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2. **Significant accounting policies** (continued)

2.3 Group accounting (continued)

(c) *Associated company* (continued)

(ii) *Equity method of accounting*

In applying the equity method of accounting, the Group's share of its associated company's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated company are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated company have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investment in associated company is derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investment in associated company are recognised in profit or loss.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost, and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2.4 Property, plant and equipment (continued)

(a) *Measurement* (continued)

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Freehold land and capital work-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	50 years
Freehold and leasehold buildings	5 - 25 years
Freehold and leasehold buildings improvements	3 - 10 years (not longer than the lease term)
Plant and machinery	2 - 20 years
Furniture, fittings, office equipment and canteen equipment	3 - 20 years
Computer equipment	3 - 10 years
Motor vehicles	5 - 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the profit or loss for the financial years in which the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other income - net".

2. Significant accounting policies (continued)

2.5 Intangible assets

(a) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiaries on or after 1 January 2010, represents the excess of (i) the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of joint ventures and associated company represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

(b) *Acquired patents and licences*

Patents and licences acquired as part of business combinations are initially recognised at their fair values at the acquisition date and are subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 6.5 to 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

(c) *Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

(d) *Acquired customer relationships*

Customer relationships acquired as part of business combinations are initially recognised at their fair values at the acquisition date and are subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 10 years.

2. **Significant accounting policies** (continued)

2.5 Intangible assets (continued)

(d) *Acquired customer relationships* (continued)

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Intangible assets*
Property, plant and equipment
Investments in associated company

Intangible assets, property, plant and equipment and investment in associated company are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

2. **Significant accounting policies** (continued)

2.7 Impairment of non-financial assets (continued)

(*b*) *Intangible assets*
Property, plant and equipment
Investment in associated company (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.8 Financial assets

(*a*) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(*i*) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and bank deposits", "trade and other receivables" and "deposits" on the balance sheet.

(*ii*) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(*b*) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(b) *Recognition and derecognition* (continued)

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Available-for-sale financial assets in the form of investments in non-quoted equity securities are measured at cost if their fair values cannot be measured reliably. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income, available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related translation differences. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(e) *Impairment* (continued)

(i) *Loans and receivables* (continued)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in note 2.8(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired. If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.9 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2. **Significant accounting policies** (continued)

2.10 Trade and other payables (continued)

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates the derivatives as hedges of highly probable forecast transactions (cash flow hedges).

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

Cash flow hedge

The Group has entered into gold par forward contracts and foreign currency forward contracts to hedge the gold price and foreign currency exchange risk arising from the highly probable forecasted purchase of gold wires and transactions in foreign currencies respectively.

The fair value changes on the effective portion of the forward contracts designated as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve. For gold par forward contracts, the amount recognised in other comprehensive income are accumulated in the hedging reserve and transferred to “cost of sales” when the gold wires are consumed. For foreign currency forward contracts, the amount recognised in other comprehensive income are accumulated in the hedging reserve and transferred to “other income-net” in profit or loss when the hedged forecasted transactions are recognised.

The fair value changes on the ineffective portion of the forward contracts are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2. **Significant accounting policies** (continued)

2.12 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of currency forwards and gold par forwards are determined using actively quoted forward exchange rates and gold prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These include the use of quoted market prices or dealer quotes for similar instruments and valuation techniques, such as discounted cash flow analyses. For equity securities classified as available-for-sale financial assets, the Group also estimates the fair values of the financial assets by reference to the net asset value of these equity securities, adjusting where applicable using appropriate measures to fair value the underlying assets and liabilities. In determining these fair values, management evaluates, among other factors, the reliability and appropriateness of the use of the underlying net asset information provided, taking into consideration factors such as industry and sector outlook, other market comparables and other prevailing market factors and conditions.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.13 Leases

(a) *When the Group is the lessee:*

The Group leases certain property, plant and equipment from non-related parties.

(i) *Lessee - Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2. **Significant accounting policies** (continued)

2.13 Leases (continued)

(a) *When the Group is the lessee:* (continued)

(ii) *Lessee - Operating leases*

Leases of factories, warehouses and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

(b) *When the Group is the lessor:*

The Group leases certain property, plant and equipment under operating leases to non-related parties.

(i) *Lessor – Operating leases*

Leases of assets where the Group retained substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.14 Research and development costs

Research costs are recognised as an expense when incurred.

Costs incurred on development activities or projects are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(b) management intends to complete the intangible asset and use or sell it;
(c) there is an ability to use or sell the intangible asset;
(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

2. **Significant accounting policies** (continued)

2.14 Research and development costs (continued)

Other development costs that do not meet these criteria is recognised as an expense as incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. **Significant accounting policies** (continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. The Group operates both defined contribution and defined benefit plans.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Defined benefit plans*

Defined benefit plans are post-employment benefit that an employee will receive on or after retirement and are plans other than defined contribution plans. Defined benefits plans define the amount of benefits usually dependent on one or more factors such as age, years of service or compensation.

The liability recognised in the balance sheet in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post - employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past-service costs are recognised immediately in profit or loss.

2. Significant accounting policies (continued)

2.18 Employee compensation (continued)

(b) *Defined benefit plans* (continued)

UTAC (Taiwan) Corporation

Certain full time regular employees of the Company's subsidiary, UTAC (Taiwan) Corporation, are covered under a defined benefit plan. The Plan is non-contributory on the part of employees and UTAC (Taiwan) Corporation makes monthly contribution of an amount equal to 2% of the total monthly wages to the pension fund deposited with the Central Trust of China. Pension benefits will be paid by UTAC (Taiwan) Corporation to its employees and are computed based on their service years (two points per year for the first 15 service years and one point per year for each service year thereafter). Each employee is limited to 45 points.

UTAC Thai Limited

All employees of the Company's subsidiary, UTAC Thai Limited are eligible to receive benefits upon their retirement under the Special Retirement Compensation Plan ("SRCP"). The SRCP is non-contributory on the part of employees. Pension benefits will be paid by UTAC Thai Limited to its employees and are computed based on 20% of monthly basic salary multiply by the numbers of years in service.

(c) *Other long term benefits*

The measurement of other long term benefits follows that of post-employment defined benefits except that all actuarial gains and losses on other long term employee benefits are recognised immediately in profit or loss.

UTAC Thai Limited

All employees of the Company's subsidiary, UTAC Thai Limited are eligible to receive benefits under the long service award plan. The service award payable is determined by the length of the employee's service period.

(d) *Share-based compensation*

The Company's ultimate holding corporation, Global A&T Holdings, operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share options reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

2. **Significant accounting policies** (continued)

2.18 Employee compensation (continued)

(e) *Termination benefits*

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2.19 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The financial statements are presented in United States Dollars.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes in the carrying amount of the security. Currency translation differences on the amortised cost are recognised in profit or loss, and other changes are recognised in fair value reserve in other comprehensive income.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Significant accounting policies (continued)

2.19 Currency translation (continued)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.20 Government grants

Grants from the government are recognised as a receivable at their fair value when, there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are included in non-current liabilities as deferred income and are recognised in profit or loss on a straight-line basis over the expected useful lives of the related assets.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits and short-term investments comprising government treasury bills, which are subject to an insignificant risk of change in value.

2. Significant accounting policies (continued)

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

3. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination. The recoverable amounts of the Group's CGU are determined based on value-in-use calculations. These calculations require the use of estimates (Note 17(a)).

If the management's estimated gross margin is lowered by 1% in each of the forecasted years, the recoverable amount of the CGU would be reduced by approximately US$79,731,000 (2012: US$130,739,000). The carrying amount of goodwill would not be impaired.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for all the CGU is raised by 1%, the recoverable amount of the CGU would be reduced by approximately US$182,487,000 (2012: US$232,668,000). The carrying amount of goodwill would not be impaired.

(b) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

During the financial year, an impairment charge of US$1,664,000 (2012: US$870,000) was recognised on certain plant and machinery. The impairment charge recognised for these assets was due to events and circumstances that indicate that the carrying amount would exceed the recoverable amount. The recoverable amount of these plant and machinery has been determined based on value-in-use calculations.

Value-in-use calculations were based on discounted cash flow projections derived from financial forecasts by management covering the expected life of the assets.

3. **Critical accounting estimates, assumptions and judgments** (continued)

(c) Uncertain tax positions

The Group is subject to various taxes in numerous jurisdictions in which it operates. These include taxes on income, property, goods and services, and other taxes. In determining the tax liabilities, management is required to estimate their tax payable position based on deductibility of certain expenses and exemptions of certain taxable income due to tax incentives granted in respective tax jurisdictions. The Group submits tax returns and claims with the appropriate government taxing authorities, which are subject to examination and agreement by those taxing authorities. The Group regularly reassesses the likelihood of adverse outcomes resulting from these examinations to determine adequacy of provision for taxes. The Group has open income tax assessments at the reporting date. As management believes that the income tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions.

(d) Impairment of available-for-sale financial assets

The available-for-sale financial assets of the Group comprise equity securities and other investments that are not traded in an active market. As at 31 December 2013, the carrying amount of available-for-sale financial assets of the Group amounted to US$1,383,000 (2012: US$1,323,000) (Note 14). The fair value of the unlisted available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques in accordance with Note 2.12 when an objective evidence of impairment exists.

4. Revenue and other income – net

	Group	
	2013	2012
	US$'000	US$'000
Services rendered:		
- Test	**246,939**	293,352
- Assembly	**501,457**	636,747
Total sales	**748,396**	930,099
Other operating income:		
Interest income	**1,026**	1,470
Government grant income		
- Amortisation of deferred income	**-**	62
- Other grant received	**349**	535
Dividend income	**35**	42
Sales of scrap	**3,306**	3,756
Rental income	**623**	1,216
Other	**2,334**	1,464
	7,673	8,545
Other gains/(losses) – net:		
Net fair value gains on derivative financial instruments	**-**	558
Currency translation gains/(losses) – net	**1,152**	(1,317)
Net gain on disposal of property, plant and equipment	**2,609**	1,478
Loss on liquidation of subsidiaries	**-**	(285)
Write-off of overpayment by customers	**220**	-
Impairment loss on available-for-sale financial assets	**-**	(1,767)
Loss on settlement of redemption liability (Note 21)	**(323)**	-
Gain on extinguishment of borrowings, net of expenses (Note 19)	**21,073**	-
Write back of unclaimed monies from the previous shareholders of a subsidiary	**4,846**	-
Other	**34**	-
	29,611	(1,333)
Total other income - net	**37,284**	7,212
	785,680	937,311

5. Loss before income tax

The following items have been included in arriving at loss before income tax:

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Charging:		
Depreciation of property, plant and equipment (Note 16)	**151,734**	162,884
Impairment loss of property, plant and equipment (Note 16)	**1,664**	870
Amortisation of intangible assets (Note 17)	**16,408**	16,700
Cost of inventories recognised as an expense included in 'cost of sales'	**186,078**	261,543
Rental on operating leases	**7,738**	18,853
Employee compensation (Note 6)	**198,476**	236,804
Write-off of expenditure on initial public offering	**-**	2,174
Provision for legal claims (Note 22)	**-**	2,250
Cash flow hedge, reclassified from hedging reserve (Note 26(b)(i))	**409**	3,484

6. Employee compensation

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Wages and salaries	**178,296**	216,394
Employer's contribution to defined contribution plans including Central Provident Fund	**11,630**	12,518
Post employment benefits under defined benefit pension plans (Note 24(d))	**1,492**	1,409
Long term benefits	**363**	314
Termination benefits	**6,695**	6,169
	198,476	236,804

7. Finance expenses

	Group	
	2013	2012
	US$'000	US$'000
Interest expenses		
- Bank borrowings	**45,151**	78,912
- 10% Senior Secured Notes due in 2019	**72,277**	-
- Loan payable to a non-related party	**307**	414
- Finance lease liabilities	**35**	61
- Others	**59**	185
	117,829	79,572
Revolving credit facility fees	**2,826**	-
	120,655	79,572

8. Income taxes

(a) Income tax expense

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	**1,187**	136
- Foreign	**8,309**	15,656
Deferred income tax (Note 23)	**(6,756)**	(1,700)
	2,740	14,092
(Over)/under provision in prior financial years		
- Current income tax	**(277)**	12
- Deferred income tax (Note 23)	**-**	(411)
	2,463	13,693

Tax incentives

In Singapore, the Company's subsidiary, United Test and Assembly Center Ltd ("UTAC"), has been granted Pioneer Status under the Singapore Economic Expansion Incentives (Relief from Income Tax) Act, Chapter 86 (the "Act") for the assembly, packaging and testing of advanced semiconductor devices, but not including interest and rental income, for a ten-year period from 1 March 1999. In 2009, the authorities extended the period for a further five years from 1 March 2009 to 28 February 2014 subject to compliance with certain conditions. UTAC has also been granted exemptions under the Approved Contract Manufacturer and Trader ("ACMT") Scheme, where Goods and Service tax ("GST") will be suspended at the point of importation. The ACMT scheme is valid for three years beginning 1 April 2009, and is subject to renewal. UTAC has applied to the Inland Revenue Authority of Singapore ("IRAS") for renewal of the ACMT scheme and in the interim, the ACMT scheme continues to apply to UTAC while IRAS is still in the process of reviewing.

In February 2012, the authority proposed to revise the conditions to enable UTAC to retain the Pioneer Tax Status. As at 31 December 2013, UTAC was not able to meet the revised conditions under the 5 years extension of Pioneer Tax Status by 28 February 2013, the stipulated date proposed by the authority. However, the directors believe that there is no potential additional tax liability in the event that UTAC does not retain the Pioneer tax status as UTAC has significant unabsorbed capital allowances (Note 23).

In Taiwan, the Company's subsidiary, UTAC (Taiwan) Corporation ("UTC"), as a profit-seeking enterprise incorporated in Hsinchu Science park, Taiwan, is entitled to certain tax benefits pursuant to the Act for the Establishment and Administration of Science Parks and qualifies as an entity conferred with certain tax incentives under Article 6 of the Statue of Upgrading Industries. The tax incentives include tax credits of up to 35% for certain research and development and employee training expenses (and, if the amount of expenditure exceeds the average amount of expenditure for the preceding two years, 50% of the excess amount may be credited against tax payable) and from 5% to 20% for certain investments in automated equipment and technology. These tax credits must be utilised within five years from the fiscal year in which they arise.

8. Income taxes (continued)

(a) Income tax expense (continued)

Tax incentives (continued)

Since the Income Basic Tax Act was implemented in 2006, most of the tax incentives UTC enjoys have been reduced to the extent of the alternative minimum income tax, which is ten percent of the amount otherwise exempted from business income tax. In determining the income tax payable by a profit-seeking enterprise under Taiwan law, the regular income tax, i.e., the traditional income tax payable under the Income Tax Act (after subtraction of investment tax credits), is compared to the Basic Tax calculated under the new law. The Basic Tax is calculated by deducting NT$2,000,000 from the Basic Income (which is taxable income plus tax-exempt income), and multiplying the difference by a tax rate of 10%, which is adjustable to 12% depending on economic conditions.

The Statute of Upgrading Industries was replaced by the Statute of Industrial Innovation which allows UTC to enjoy tax credits on research and development only. The Statute of Industrial Innovation revised research and development tax incentives allows UTC to claim a credit for 15% of its research and development expenditures to offset up to 30% of its income tax in the current year. The tax credits cannot be carried forward and any unused tax credits will be forfeited. This tax incentive applies for a period of 10 years, and is retroactively effective from 1 January 2010 until 31 December 2019.

In Thailand, the Company's subsidiary, UTAC Thai Limited ("UTL") has been granted certain tax exemptions for the assembly and testing of integrated circuits and components, including (i) exemption from payment of import duty on machinery approved by the Board of Investment of Thailand ("BOI"); (ii) exemption from payment of income tax for certain operations for a certain periods; and (iii) exemption from payment of import duty on raw or essential materials used in the manufacturing of export products for a certain period.

As a BOI promoted company, UTL must comply with certain conditions and restrictions provided for in the investment promotion certificates issued by the BOI.

The tax expense on loss differs from the amount that would arise using the standard rate of income tax as explained below:

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Loss before income tax	**(76,460)**	(31,700)
Tax calculated at Singapore statutory income tax rate of 17% (2012: 17%)	**(12,998)**	(5,389)
Effects of:		
- Different tax rates in other countries	**3,063**	6,161
- Expenses not deductible for tax purposes	**24,445**	15,187
- Income not subjected to tax	**(4,487)**	(416)
- Tax incentives	**(9,028)**	(3,125)
- Additional 10% tax on undistributable earnings in Taiwan	**573**	2,418
- Utilisation of previously unrecognised tax benefits	**(2,729)**	(3,132)
- Unrecognised tax benefits	**3,922**	2,409
- Singapore statutory stepped income exemption	**(21)**	(21)
Tax charge	**2,740**	14,092

8. Income taxes (continued)

(b) Movements in current income tax liabilities

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**13,145**	15,719
Income tax paid	**(16,815)**	(17,768)
Tax expense	**9,496**	15,792
(Over)/under provision in prior financial years	**(277)**	12
Currency translation differences	**(573)**	(610)
End of financial year	**4,976**	13,145

9. Cash and bank deposits

	Group	
	2013	2012
	US$'000	US$'000
Cash at bank and on hand	**135,535**	175,453
Short-term bank deposits	**82,320**	16,000
Short-term investments	**-**	9,766
	217,855	201,219

10. Derivative financial instruments

	Contract/ notional amount	Group ← Fair values →	
		Assets	Liabilities
	US$'000	US$'000	US$'000
2013			
Hedging instruments			
- Currency forward contracts	**84,828**	**217**	**(1,000)**
- Gold forward contracts	**766**	**-**	**(34)**
Total current		**217**	**(1,034)**
2012			
Hedging instruments			
- Currency forward contracts	147,098	1,462	(1)
- Gold forward contracts	37,538	138	(1,116)
Total current		1,600	(1,117)

10. Derivative financial instruments (continued)

Currency and gold forward contracts are entered to hedge highly probable forecast transactions expected to occur at various dates within 12 months from the balance sheet date. The currency and gold forward contracts have maturity dates that coincide with the expected occurrence of these transactions. Gains or losses recognised in the hedging reserve prior to the occurrence of these transactions are reclassified to profit or loss (Note 5) in the period or periods during which the hedged forecast transaction affects profit or loss. This is generally within 12 months from the balance sheet date.

11. Trade and other receivables

	Group	
	2013	2012
	US$'000	US$'000
Trade receivables - non-related parties	**97,936**	132,366
Less: Allowance for impairment of receivables - non-related parties	**(402)**	(620)
	97,534	131,746
Non-trade receivables - non-related parties	**9,213**	6,610
	106,747	138,356

12. Inventories

	Group	
	2013	2012
	US$'000	US$'000
Raw materials	**28,373**	34,622
Work-in-progress	**4,930**	6,441
Finished goods	**245**	2,440
	33,548	43,503

13. Other assets

	Group	
	2013	2012
	US$'000	US$'000
Current		
Prepayments	**5,126**	6,979
Deposits	**4,815**	5,328
Others	**427**	160
	10,368	12,467
Non-current		
Prepayments	**9,330**	7,185
Others	**478**	764
	9,808	7,949

14. Available-for-sale financial assets

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**1,323**	3,758
Additions	**60**	-
Impairment loss (Note 4)	**-**	(1,767)
Distributions	**-**	(668)
End of financial year	**1,383**	1,323

At the balance sheet date, available-for-sale financial assets are analysed as follows:

	Group	
	2013	2012
	US$'000	US$'000
Non-current		
Quoted equity securities:		
- United States of America	**60**	-
Non-quoted equity securities:		
- Taiwan	**1,321**	1,321
- United States of America	**2**	2
	1,383	1,323

15. Investment in associated company

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**4,457**	3,725
Share of (loss)/profit	**(4,457)**	732
End of financial year	**-**	4,457

The Group's share of summarised financial information of an associated company based on its equity share holding (Note 36(b)) is as follows:

	Group	
	2013	2012
	US$'000	US$'000
- Assets	**6,931**	12,145
- Liabilities	**7,509**	7,688
- Revenues	**1,581**	7,368
- Net (loss)/profit	**(5,421)**	732

Details of the associated company are provided in Note 36(b).

The Group has not recognised its share of losses amounting to US$964,000 because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses.

16. Property, plant and equipment

	Freehold land US$'000	Freehold buildings and improvements US$'000	Leasehold land, buildings and improvements US$'000	Plant and machinery US$'000	Furniture, fittings, office equipment and canteen equipment US$'000	Computer equipment US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group									
2013									
Cost									
Beginning of financial year	11,792	52,144	153,077	1,120,629	5,574	8,691	1,936	7,056	1,360,899
Additions	-	308	260	-	85	349	108	48,275	49,385
Transfer in/(out)	-	659	13	44,437	21	568	-	(45,698)	-
Disposals	-	(12)	(21,987)	(37,625)	(309)	(1,212)	(343)	(32)	(61,520)
Write-off	-	-	-	(7,204)	-	(3)	-	-	(7,207)
End of financial year	11,792	53,099	131,363	1,120,237	5,371	8,393	1,701	9,601	1,341,557
Accumulated depreciation and accumulated impairment losses									
Beginning of financial year	-	18,659	61,606	613,998	3,406	6,559	709	-	704,937
Depreciation charge	-	4,275	13,154	131,853	661	1,482	309	-	151,734
Disposals	-	(12)	(8,962)	(35,392)	(274)	(1,130)	(210)	-	(45,980)
Write-off	-	-	-	(6,951)	-	(4)	-	-	(6,955)
Impairment losses	-	-	-	1,664	-	-	-	-	1,664
End of financial year	-	22,922	65,798	705,172	3,793	6,907	808	-	805,400
Net book value									
End of financial year	11,792	30,177	65,565	415,065	1,578	1,486	893	9,601	536,157

16. Property, plant and equipment (continued)

	Freehold land US$'000	Freehold buildings and improvements US$'000	Leasehold land, buildings and improvements US$'000	Plant and machinery US$'000	Furniture, fittings, office equipment and canteen equipment US$'000	Computer equipment US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group									
2012									
Cost									
Beginning of financial year	11,792	47,904	151,107	1,051,283	5,354	7,950	2,053	45,429	1,322,872
Additions	-	5	1,131	16,566	248	272	580	52,057	70,859
Transfer in/(out)	-	4,393	1,009	84,316	7	705	-	(90,430)	-
Disposals	-	(158)	(170)	(25,452)	(35)	(235)	(697)	-	(26,747)
Write-off	-	-	-	(6,084)	-	(1)	-	-	(6,085)
End of financial year	11,792	52,144	153,077	1,120,629	5,574	8,691	1,936	7,056	1,360,899
Accumulated depreciation and accumulated impairment losses									
Beginning of financial year	-	14,202	48,236	499,228	2,650	5,125	898	-	570,339
Depreciation charge	-	4,599	13,520	142,018	787	1,657	303	-	162,884
Disposals	-	(142)	(150)	(22,075)	(31)	(223)	(492)	-	(23,113)
Write-off	-	-	-	(6,043)	-	-	-	-	(6,043)
Impairment losses	-	-	-	870	-	-	-	-	870
End of financial year	-	18,659	61,606	613,998	3,406	6,559	709	-	704,937
Net book value									
End of financial year	11,792	33,485	91,471	506,631	2,168	2,132	1,227	7,056	655,962

16. **Property, plant and equipment** (continued)

(a) The carrying amount of plant and machinery held under finance leases is US$743,000 (2012: US$1,160,000) (Note 20).

(b) Included within additions in the consolidated financial statements are plant and machinery acquired under finance leases amounting to US$83,000 (2012: US$449,000).

(c) The Group recognised an impairment loss of approximately US$1,664,000 (2012: US$870,000) mainly relating to the write down of obsolete plant and machinery. The carrying amounts of the plant and machinery were reduced to their recoverable amounts based on management's best estimate of value-in-use.

17. **Intangible assets**

	Goodwill US$'000	Patents and licenses US$'000	Computer software licences and development costs US$'000	Customer relationships US$'000	Total US$'000
Group					
2013					
Beginning of financial year	643,405	15,669	5,068	60,909	725,051
Additions	-	-	215	-	215
Amortisation	-	(2,793)	(1,873)	(11,742)	(16,408)
Write-off	-	-	(113)	-	(113)
End of financial year	643,405	12,876	3,297	49,167	708,745
2012					
Beginning of financial year	643,405	18,450	6,435	72,641	740,931
Additions	-	-	820	-	820
Amortisation	-	(2,781)	(2,187)	(11,732)	(16,700)
End of financial year	643,405	15,669	5,068	60,909	725,051

(a) Goodwill arising on consolidation

	Group 2013 US$'000	Group 2012 US$'000
Beginning and end of financial year	**643,405**	643,405

Impairment testing of goodwill

Goodwill is reallocated to the Group's cash-generating units ("CGU") identified based on the relative contribution of the business segments.

A segment-level summary of the goodwill allocation is as follows:

	Group 2013 US$'000	Group 2012 US$'000
Test	**348,220**	348,220
Assembly	**295,185**	295,185
	643,405	643,405

17. **Intangible assets** (continued)

(a) Goodwill arising on consolidation (continued)

Impairment testing of goodwill (continued)

The value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimates growth rates stated below. The growth rate did not exceed the long-term average growth rate for the businesses in which the CGU operates.

Management have determined the forecasted revenues and gross margins based on past performance and its expectation of market development. Average growth rates used are consistent with forecasts included in industry reports. The discount rates used were pre-tax.

The table below summarises the key assumptions determined by management in the value-in-use calculations:

	2013		2012	
	Test	**Assembly**	Test	Assembly
Discount rate *	**8.9%**	**10.1%**	9.0%	10.2%
Gross margin ^	**43.9% - 51.4%**	**24.4% - 25.4%**	42.2% - 50.7%	23.9% - 25.8%
Terminal growth rates #	**1.0%**	**2.0%**	2.0%	3.0%

* *Pre-tax discount rate applied to pre-tax cash flow projections.*
^ *Gross margin disclosed excludes depreciation and amortisation expenses.*
\# *Weighted average growth rate used to extrapolate cash flows beyond the fifth year.*

As the recoverable amounts of the CGU are higher than the carrying amounts, no impairment loss is recognised during the financial year ended 31 December 2013.

(b) Patents and licences

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**15,669**	18,450
Amortisation charge	**(2,793)**	(2,781)
End of financial year	**12,876**	15,669
Cost	**28,113**	28,113
Accumulated amortisation	**(15,237)**	(12,444)
Net book value	**12,876**	15,669

17. Intangible assets (continued)

(c) Computer software licences and development costs

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**5,068**	6,435
Purchase of software licenses	**215**	820
Amortisation charge	**(1,873)**	(2,187)
Write-off	**(113)**	-
End of financial year	**3,297**	5,068
Cost	**16,283**	16,673
Accumulated amortisation	**(12,986)**	(11,605)
Net book value	**3,297**	5,068

(d) Customer relationships

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**60,909**	72,641
Amortisation charge	**(11,742)**	(11,732)
End of financial year	**49,167**	60,909
Cost	**117,548**	117,548
Accumulated amortisation	**(68,381)**	(56,639)
Net book value	**49,167**	60,909

(e) Amortisation expense included in the consolidated statement of comprehensive income is analysed as follows:

	Group	
	2013	2012
	US$'000	US$'000
Cost of sales	**2,261**	2,329
Selling, general and administrative expenses	**12,452**	12,669
Research and development expenses	**1,695**	1,702
Total (Note 5)	**16,408**	16,700

18. Trade and other payables

	Group	
	2013	2012
	US$'000	US$'000
Trade payables to non-related parties		
- Purchase of property, plant and equipment	**15,465**	16,454
- Other purchases	**38,578**	52,044
Advances from customers	**726**	273
Deposits received	**1,005**	953
Accrued interest payable	**39,398**	2,639
Other accrual for operating expenses	**32,925**	47,476
Other payables	**4,116**	8,850
	132,213	128,689

19. Borrowings

	Group	
	2013	2012
	US$'000	US$'000
Current		
Current portion of loan payable to a non-related party	-	10,445
Current portion of long-term bank borrowings - secured	-	6,250
Finance lease liabilities - secured (Note 20)	**188**	338
	188	17,033
Non-current		
Loan payable to a non-related party	-	1,635
10% Senior Secured Notes due in 2019	**1,093,452**	-
Long-term bank borrowings – secured	-	1,144,930
Finance lease liabilities - secured (Note 20)	**222**	379
	1,093,674	1,146,944
Total borrowings	**1,093,862**	1,163,977

(a) Loan payable to a non-related party

At 31 December 2012, the loan payable to a non-related party was unsecured, repayable in eight equal quarterly instalments starting from 1 June 2012 and bore interest at 3.5% per annum. This was fully repaid during the financial year ahead of the original repayment schedule.

19. Borrowings (continued)

(b) 10% Senior Secured Notes due in 2019

On 7 February 2013, the Company issued US$625,000,000 in aggregate principal amount of 10% Senior Secured Notes due in 2019 (the "notes") for proceeds of US$607,500,000 after deducting transaction costs of US$17,500,000. The proceeds from the notes were used to prepay an existing carrying amount of US$619,919,000 of bank borrowings. Interest on the notes is payable on 1 February and 1 August of each year, beginning on 1 August 2013. Additionally, subject to the satisfaction of certain requirements, a US$125,000,000 revolving credit facility (the "revolving facility") has been made available to the Company.

On 30 September 2013, the Company issued additional principal amount of 10% Senior Secured Notes due 2019 (the "additional notes") in exchange for the outstanding bank borrowings in a private offer to exchange (the "Exchange Offer") with the lenders, based on an exchange ratio of every US$1,000 of outstanding principal amount for a US$925 principal amount of the additional notes. The carrying amount of US$542,981,000 in bank borrowings were exchanged for US$502,257,000 of the additional notes after deducting transaction costs of US$16,323,000.

The indebtedness under the notes, additional notes and the revolving facility will be secured by, pursuant to various intercreditor arrangements, a first priority charge over specified assets of the Company and certain of its subsidiaries, excluding UTAC (Taiwan) Corporation, UTAC Thai Holdings Limited and UTAC Thai Limited which will provide security upon the completion and satisfaction of certain requirements, as well as over the shares of certain of its subsidiaries, excluding UTAC (Taiwan) Corporation and UTAC Thai Limited whose shares will be pledged as security upon the completion and satisfaction of certain requirements. In addition, the Company and certain of its subsidiaries (excluding UTAC Thai Limited and UTAC Thai Holdings Limited, pending the completion and satisfaction of certain requirements) will jointly and severally guarantee the repayment of the notes, additional notes and the revolving facility.

As at the balance sheet date, the fair value of 10% Senior Secured Notes due in 2019 ("senior secured notes") is US$990,935,000. The fair value of the senior secured notes is determined from the trading market prices of the senior secured notes as of each balance sheet date and is within Level 1 of the fair value hierarchy.

(c) Long-term bank borrowings – secured

At 31 December 2012, bank borrowing of approximately US$619,655,000 was secured by a first priority charge on the specified assets of the Company and certain of its subsidiaries. In addition, the Company and certain of its subsidiaries (excluding UTAC Shanghai Co. Ltd, UTAC (Dongguan) Ltd and UTAC Chengdu Ltd) jointly and severally guaranteed the repayment of the loan. The loan bore interest at 3.13% per annum above LIBOR, and the effective interest rate on the bank loan ranged from 3.80% to 4.06% per annum.

At 31 December 2012, bank borrowing of approximately US$232,016,000 was secured by a second priority charge on the specified assets of the Company and certain of its subsidiaries. In addition, the Company and certain of its subsidiaries (excluding UTAC Shanghai Co. Ltd, UTAC (Dongguan) Ltd and UTAC Chengdu Ltd) jointly and severally guaranteed the repayment of the loan. The loan bore a fixed interest rate of 11.25% per annum, and the effective interest rate on the bank loan was 11.57% per annum.

19. Borrowings (continued)

(c) Long-term bank borrowings – secured (continued)

At 31 December 2012, bank borrowing of approximately US$299,509,000 was secured by a second priority charge on the specified assets of the Company and certain of its subsidiaries. In addition, the Company and certain of its subsidiaries (excluding UTAC Shanghai Co. Ltd and UTAC (Dongguan) Ltd and UTAC Chengdu Ltd) jointly and severally guaranteed the repayment of the loan, and was fully exchanged during the financial year. The loan bore interest at 6.25% per annum above LIBOR, and the effective interest rate on the bank loan ranged from 6.47% to 7.06% per annum.

The fair values of non-current fixed interest rate bank borrowings were US$227,881,000. The fair values were based on cash flows discounted using a rate based on the borrowing rate of 5.03% and are within Level 2 of the fair value hierarchy. The carrying amounts of those remaining non-current bank borrowings and loan payable to non-controlling interests amounting to US$919,164,000 approximated their fair values at the previous balance sheet date as those borrowings were repriced every one to three months.

(d) Finance lease liabilities - secured

Finance lease liabilities of the Group are secured by the rights to the leased plant and machinery (Note 16(a) and (b)), which will revert to the lessor in the event of default by the Group.

The carrying amounts of the finance lease liabilities approximated their fair values at the balance sheet date.

20. Finance lease liabilities

	Group	
	2013	2012
	US$'000	US$'000
Minimum lease payments due:		
- Not later than one year	**207**	369
- Between two and five years	**235**	409
	442	778
Less: Future finance charges	**(32)**	(61)
Present value of finance lease liabilities	**410**	717
Analysed as follows:		
- Not later than one year (Note 19)	**188**	338
- Between two and five years (Note 19)	**222**	379
	410	717

The liabilities are secured on property, plant and equipment acquired under finance lease contracts (Note 16(a) and (b)).

The Group has leased certain plant and machinery under finance leases. Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents.

21. Redemption liability

On 1 March 2011, the Group gained control of UCD Cayman Ltd ("UCD Cayman") and UTAC Chengdu Ltd ("UCD") when the Group's equity interest in UCD Cayman increased from 33.7% to 90.0%.

The holder of the remaining 10.0% equity interest in UCD Cayman had the right to require the Group to purchase all of the 10.0% equity interest in UCD Cayman at a price equal to the higher of (i) 10.0% of the book value of UCD Cayman on 1 March 2011 plus interest of 3.5% per annum calculated from 1 March 2011, or (ii) 10.0% of the book value of UCD Cayman at the time of sale ("Put Option"), during the five year period commencing from the first anniversary of the listing of UTAC Holdings Ltd. ("Option Effective Period") on the Singapore Stock Exchange Securities Trading Limited ("SGX"). The Group also had the right to require the holder of the remaining 10.0% equity interest in UCD Cayman to sell its 10.0% equity interest in UCD Cayman at the same price during the Option Effective Period ("Call Option"). The Group evaluated the terms of the Put/Call Option and assessed that the Group bore the risk and rewards of the remaining 10.0% equity interest in UCD Cayman. Accordingly, the Group consolidated 100% of the post-acquisition results of UCD Cayman, recognised a redemption liability and did not recognise any non-controlling interests on the acquisition.

In 2013, the Group acquired the remaining 10.0% equity interest in UCD Cayman. The Group recognised a loss amounting to US$323,000 on settlement of the redemption liability.

22. Provisions

	Group	
	2013	2012
	US$'000	US$'000
Current		
Legal claims	**2,000**	2,250

The provisions are in respect of certain legal claims brought against the Group as a result of a contractual dispute with another party and past services rendered by the Group. The directors consider that disclosure of further details of these claims could seriously prejudice the Group's interests in the pending litigation.

Movement in provision for legal claims is as follows:

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**2,250**	-
Provision made (Note 5)	**-**	2,250
Provision utilised	**(250)**	-
End of financial year	**2,000**	2,250

23. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Deferred income tax asset:		
- To be settled within one year	**2,505**	2,505
Deferred income tax liabilities:		
- To be settled within one year	**(2,503)**	(3,313)
- To be settled after one year	**(6,940)**	(13,148)
	(9,443)	(16,461)

The movement in the deferred income tax account is as follows:

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Beginning of financial year	**(13,956)**	(15,260)
Tax credited/(charged) to:		
- Profit or loss (Note 8)	**6,756**	2,111
- Equity	**321**	(864)
Currency translation differences	**(59)**	57
End of financial year	**(6,938)**	(13,956)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has the following unrecognised tax losses and capital allowances at the balance sheet date:

	Group	
	2013	2012
	US$'000	US$'000
Tax losses	**124,154**	125,933
Capital allowances	**106,673**	97,691

The unrecognised tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

23. Deferred income taxes (continued)

The unrecognised tax losses of US$106,333,000 (2012: US$109,421,000) and capital allowances of US$106,673,000 (2012: US$97,961,000) of the Group do not have expiry dates.

The remaining unrecognised tax losses expire in the following years:

	Group	
	2013	2012
	US$'000	US$'000
Tax losses		
2013	-	8,306
2014	**2,269**	2,208
2017	**6,164**	5,998
2018	**9,388**	-
	17,821	16,512

No deferred tax benefits in respect of the above tax losses have been recognised in the financial statements of the Group at the balance sheet date as its realisation is not probable.

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

Deferred income tax assets

	Investment allowance US$'000	Impairment losses US$'000	Post employment benefits US$'000	Tax losses US$'000	Other US$'000	Total US$'000
Group						
2013						
Beginning of financial year	-	380	2,277	2,325	1,750	6,732
Tax credited/(charged) to:						
- Profit or loss	-	(145)	(165)	-	(36)	(346)
- Equity	-	-	147	-	108	255
Currency translation differences	-	-	52	-	(111)	(59)
End of financial year	-	235	2,311	2,325	1,711	6,582
2012 (restated)						
Beginning of financial year	1,932	823	2,056	2,617	2,150	9,578
Tax credited/(charged) to:						
- Profit or loss	(1,932)	(456)	246	(292)	349	(2,085)
- Equity	-	-	14	-	(923)	(909)
Currency translation differences	-	13	(39)	-	174	148
End of financial year	-	380	2,277	2,325	1,750	6,732

23. Deferred income taxes (continued)

Deferred income tax liabilities

	Tax depreciation/ amortisation US$'000	Other US$'000	Total US$'000
Group			
2013			
Beginning of financial year	(19,226)	(1,462)	(20,688)
Tax credited/(charged) to:			
- Profit or loss	7,099	3	7,102
- Equity	-	66	66
End of financial year	(12,127)	(1,393)	(13,520)
2012			
Beginning of financial year	(24,345)	(493)	(24,838)
Tax credited/(charged) to:			
- Profit or loss	5,210	(1,014)	4,196
- Equity	-	45	45
Currency translation differences	(91)	-	(91)
End of financial year	(19,226)	(1,462)	(20,688)

24. Long term benefit obligations

	Group 2013 US$'000	Group 2012 US$'000 (restated)
Post-employment benefit obligations	**20,616**	19,761
Other long term benefit obligations	**1,225**	1,736
	21,841	21,497

(a) The post-employment benefit obligations under defined benefit plans recognised in the balance sheet are as follows:

	Group 2013 US$'000	Group 2012 US$'000 (restated)
Present value of funded obligations	**21,545**	21,957
Fair value of plan assets	**(1,535)**	(2,802)
Deficit of funded plans	**20,010**	19,155
Present value of unfunded obligations	**606**	606
Liability recognised in the balance sheet	**20,616**	19,761
Present value of defined post-employment benefit obligations	**22,151**	22,563
Fair value of plan assets	**(1,535)**	(2,802)
Deficit	**20,616**	19,761

The plan assets consist of bank deposits.

24. Long term benefit obligations (continued)

(b) Movement in the defined post-employment benefit obligation is as follows:

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Beginning of financial year	**22,563**	20,985
Current service cost	**901**	905
Interest cost	**632**	551
Actuarial gains/(losses)	**1,978**	(120)
Benefits paid	**(2,015)**	(447)
Currency translation differences	**(1,908)**	689
End of financial year	**22,151**	22,563

(c) Movement in the fair value of plan assets relating to defined post-employment benefit obligations is as follows:

	Group	
	2013	2012
	US$'000	US$'000
Beginning of financial year	**(2,802)**	(2,604)
Expected return on plan assets	**(41)**	(47)
Actuarial losses	**6**	22
Contributions paid	**(190)**	(197)
Benefits paid	**1,421**	138
Currency translation differences	**71**	(114)
End of financial year	**(1,535)**	(2,802)

(d) The amounts recognised in profit or loss relating to post-employment benefit obligations is as follows:

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Current service cost	**901**	905
Interest cost	**632**	551
Expected return on plan assets	**(41)**	(47)
Total, included in "Employee compensation" (Note 6)	**1,492**	1,409

24. Long term benefit obligations (continued)

(e) The principal actuarial assumptions used for post-employment defined benefit obligations are as follows:

	Group	
	2013	2012
Discount rate	**2.00% - 4.45%**	1.50% - 3.40%
Expected return on plan assets	**0.00%**	1.50%
Actual return on plan assets	**0.00%**	0.66%
Future salary increases	**3.00% -10.00%**	4.00% - 6.00%

25. Share capital / Capital contribution from immediate holding corporation

The Company's share capital comprises 200 (2012: 200) fully paid-up ordinary shares with par value of US$1.00 (2012: US$1.00), amounting to a total of US$200 (2012: US$200), for the purposes of incorporation.

A capital contribution of US$698,000,000 was made by the immediate holding corporation of the Company, during the financial period ended 31 December 2007, for the purposes of funding part of the acquisition of a subsidiary.

26. Other reserves

	Group	
	2013	2012
	US$'000	US$'000
		(restated)
(a) Composition:		
Hedging reserve – cash flow hedge (Note 26(b)(i))	**(1,148)**	(71)
Currency translation reserve (Note 26(b)(ii))	**188**	185
Share option reserve (Note 26(b)(iii))	**112**	401
Long term benefit reserve (Note 26(b)(iv))	**(5,888)**	(4,113)
	(6,736)	(3,598)
(b) Movements:		
(i) *Hedging reserve - cash flow hedge*		
Beginning of financial year	**(71)**	(14,729)
Fair value (losses)/gains	**(1,521)**	11,323
Reclassified to cost of sales	**409**	3,484
Less: Non-controlling interests	**35**	(149)
End of financial year	**(1,148)**	(71)

26. Other reserves (continued)

		Group	
		2013	2012
		US$'000	US$'000 (restated)
(b)	Movements (continued):		
(ii)	*Currency translation reserve*		
	Beginning of financial year	**185**	146
	Net currency translation differences of financial statements of foreign subsidiaries and associated company	**3**	39
	End of financial year	**188**	185
(iii)	*Share option reserve*		
	Beginning of financial year	**401**	401
	Employee shares option scheme - Share options expired	**(289)**	-
	End of financial year	**112**	401
(iv)	*Long term benefit reserve*		
	Beginning of financial year	**(4,113)**	(3,999)
	Remeasurements	**(1,972)**	(142)
	Tax on remeasurements	**147**	14
	Less: Non-controlling interests	**50**	14
		(1,775)	(114)
	End of financial year	**(5,888)**	(4,113)

27. Share-based payment

On 6 February 2009, Global A&T Holdings ("GATH"), the Company's ultimate holding corporation, adopted a Management Equity Incentive Plan (the "Plan") for the benefit of key management team members and other executives of the Group. The Plan governs the award of options to purchase ordinary shares of GATH ("Options"), and the award of restricted ordinary shares of GATH to certain eligible persons.

The Plan is administered by GATH's board of directors or a committee appointed by the board which can determine the eligible participants, the exercise price and vesting date of the Options. Upon termination of an option holder's employment, all Options that have not become exercisable shall expire and those Options that have become exercisable will expire a certain period of time after the employment is terminated depending on the manner in which the employment is terminated. On 24 August 2010, the GATH Board granted fully vested options exercisable into ordinary shares of GATH to key management personnel and other employees of the Group.

27. Share-based payment (continued)

The number and exercise price of share options are as follows:

	Group Exercise price US$	Group Number of options '000
Beginning of financial year	1.00	1,348
Share options expired	1.00	(972)
End of financial year	1.00	376

Stock options were valued at their granted date fair value using the Binomial valuation model. Valuations incorporate several variables, including expected term, expected volatility, and a risk-free interest rate.

The expected term represents the contractual life of the options. The expected volatility input is measured at the standard deviation of statistical analysis of weekly volatility of share prices of comparable publicly listed companies. The risk-free interest rate is based on zero-coupon United States Treasury yields at the date of valuation.

The fair value of the option granted in 2010 was estimated using the Binomial valuation model with the following assumptions:

	2010
Expected term of option	7.0 years
Expected volatility	43.69%
Risk-free interest rate	1.91%

28. Contingent liabilities

The Group is subject to claims and litigations that arise in the normal course of business. The Group accrues liability associated with these claims and litigations when they are probable and reasonably estimated.

On 10 February 2014, certain purported holders of GATE's existing notes ("plaintiffs") filed a complaint in the Supreme Court of the State of New York, New York County, alleging claims against GATE arising from the Exchange Offer (Note 20(b)). On 14 March 2014, the plaintiffs filed an amended complaint. The claims asserted in the amended complaint include alleged breaches of the GATE's intercreditor agreement and indenture, and fraudulent inducement and fraud with respect to certain plaintiffs' purported purchases of existing notes. The amended complaint seeks monetary damages and declaratory relief, including a declaration that the Exchange Offer caused an event of default under the indenture. The Group is of the view that it has substantial defences to all of the plaintiffs' claims and intends to vigorously defend the plaintiffs' lawsuit.

29. Commitments

(a) Capital commitments

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

	Group	
	2013	2012
	US$'000	US$'000
Property, plant and equipment	**17,431**	8,676

(b) Operating lease commitments - where the Group is a lessee

The Group has two pieces of lands under non-cancellable operating leases for a 30-year period commencing 1 October 1994 and 1 December 1986 respectively and renewable for a further 30 years subject to the fulfilment of certain conditions.

The Group leases a piece of land under a non-cancellable operating lease for a 4-year period commencing 1 November 2010 and has an option to purchase the land at the end of the 4-year period.

The Group also leases other pieces of lands, several offices and plant and machinery under non-cancellable operating leases. The leases have varying terms and renewal rights.

Lease terms for lands, building, offices and plant and machinery do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents. The rental expenses on operating leases charged to profit or loss during the financial year is disclosed in Note 5.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2013	2012
	US$'000	US$'000
Not later than one year	**6,083**	7,905
Between one and five years	**16,795**	19,027
Later than five years	**5,016**	7,353
	27,894	34,285

30. Financial risk management

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performances. The Group uses derivative financial instruments such as foreign exchange contracts and gold par forward contracts to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes policies such as risk identification and measurements, exposure limits and hedging strategies. Financial risk management is carried out by finance personnel.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, Thailand, the People's Republic of China and Taiwan. Entities in the Group regularly transact in currencies other than the functional currency of the respective entities in the Group, which is United States Dollar ("USD").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), Thailand Baht ("THB"), Taiwan Dollar ("TWD"), Japanese Yen ("JPY") and Renminbi ("RMB"). To manage the currency risk, individual Group entities enter into currency forwards to hedge primarily against the USD.

The Group Treasury's risk management policy is to hedge certain percentage of the monthly forecasted foreign currency denominated operating expenses (mainly salaries and utilities), depending on the forward rates negotiated with the respective banks and subject to approval by the Group's Chief Financial Officer. The Group's forward contracts qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies.

30. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	USD US$'000	SGD US$'000	THB US$'000	TWD US$'000	JPY US$'000	RMB US$'000	Other US$'000	Total US$'000
Group								
At 31 December 2013								
Financial assets								
Cash and bank deposits	153,376	5,689	29,785	6,867	901	20,803	434	217,855
Trade and other receivables	90,157	8	3,783	4,568	6	7,612	613	106,747
Deposits	1,272	2,574	-	719	-	250	-	4,815
Available-for-sale financial assets	63	-	-	1,320	-	-	-	1,383
Total financial assets	244,868	8,271	33,568	13,474	907	28,665	1,047	330,800
Financial liabilities								
Borrowings	(1,093,452)	(9)	(401)	-	-	-	-	(1,093,862)
Trade and other payables	(102,268)	(8,563)	(8,889)	(2,884)	(1,797)	(7,056)	(756)	(132,213)
Total financial liabilities	(1,195,720)	(8,572)	(9,290)	(2,884)	(1,797)	(7,056)	(756)	(1,226,075)
Net financial assets/(liabilities)	(950,852)	(301)	24,278	10,590	(890)	21,609	291	(895,275)
Less: Net financial liabilities denominated in USD functional currency	950,852	-	-	-	-	-	-	950,852
Add: Highly probable forecast transactions in foreign currencies	-	89,557	107,866	-	-	91,919	-	289,342
Less: Currency forwards	-	(22,729)	(30,000)	-	-	(32,099)	-	(84,828)
Net currency exposure	-	66,527	102,144	10,590	(890)	81,429	291	260,091

	USD US$'000	SGD US$'000	THB US$'000	TWD US$'000	JPY US$'000	RMB US$'000	Other US$'000	Total US$'000
Group								
At 31 December 2012								
Financial assets								
Cash and bank deposits	149,243	6,787	15,429	1,705	1,842	25,900	313	201,219
Trade and other receivables	126,351	-	2,926	5,142	5	3,331	601	138,356
Deposits	1,640	2,679	-	750	-	259	-	5,328
Available-for-sale financial assets	2	-	-	1,321	-	-	-	1,323
Total financial assets	277,236	9,466	18,355	8,918	1,847	29,490	914	346,226
Financial liabilities								
Borrowings	(1,163,260)	(47)	(670)	-	-	-	-	(1,163,977)
Trade and other payables	(80,459)	(16,079)	(10,097)	(5,179)	(878)	(14,345)	(1,652)	(128,689)
Redemption liability	(1,781)	-	-	-	-	-	-	(1,781)
Total financial liabilities	(1,245,500)	(16,126)	(10,767)	(5,179)	(878)	(14,345)	(1,652)	(1,294,447)
Net financial assets/(liabilities)	(968,264)	(6,660)	7,588	3,739	969	15,145	(738)	(948,221)
Less: Net financial liabilities denominated in USD functional currency	968,264	-	-	-	-	-	-	968,264
Add: Highly probable forecast transactions in foreign currencies	-	85,983	105,939	-	-	113,886	-	305,808
Less: Currency forwards	-	(50,033)	(52,200)	-	-	(44,865)	-	(147,098)
Net currency exposure	-	29,290	61,327	3,739	969	84,166	(738)	178,753

30. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the SGD, THB, TWD, JPY, RMB change against the USD by 1% (2012: 2%), 4% (2012: 2%), 1% (2012: 1%), 4% (2012:3%) and 1% (2012: 1%) respectively, with all other variables including tax rate held constant, the effects arising from the net financial asset/liability position will be as follows:

	Group Increase/ (Decrease) in loss after tax	
	2013	2012
	US$'000	US$'000
SGD against USD		
- strengthened	**(665)**	(586)
- weakened	**665**	586
THB against USD		
- strengthened	**(3,575)**	(1,073)
- weakened	**3,575**	1,073
TWD against USD		
- strengthened	**(88)**	(31)
- weakened	**88**	31
JPY against USD		
- strengthened	**36**	(29)
- weakened	**(36)**	29
RMB against USD		
- strengthened	**(814)**	(842)
- weakened	**814**	842

(ii) *Price risk*

The Group is exposed to changes in gold prices arising from the gold forward contracts held by the Group which are classified on the consolidated balance sheets as derivative financial instruments as at 31 December 2013.

These gold forward contracts qualified as cash flow hedges against highly probable forecast purchase of gold wires.

If gold prices increased/(decreased) by 11% (2012: 4%) as at 31 December 2013 with all other variables being held constant, other comprehensive income would have increased/(decreased) by approximately US$67,000 (2012: US$1,336,000).

30. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank deposits, trade receivables and derivative financial instruments. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with credit worthy institutions to minimise counterparty risk. Derivative financial instruments are placed in bank and financial institutions with good credit rating.

The Group have concentration of credit risk in respect of a few major customers. Management believes that the concentration of credit risk in trade receivables is mitigated substantially by their credit evaluation process, credit policies, credit control, collection procedures and trade credit insurance cover, and also believes that no significant credit risk is inherent in the Group's trade receivables in the current financial year, which have not already been impaired.

As the Group does not hold any significant collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments, including derivative financial instruments, presented on the consolidated balance sheets.

The trade receivables of the Group comprise 4 debtors (2012: 4 debtors) that individually represented 5 - 20% of trade receivables.

The Group's credit risk exposure on trade receivables are largely from multi-national corporations and other established corporations within the semiconductor industry.

30. Financial risk management (continued)

(b) Credit risk (continued)

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with higher credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2013	2012
	US$'000	US$'000
Group		
Past due < 3 months	**7,778**	16,954
Past due 3 to 6 months	**83**	2,202
Past due over 6 months	**711**	1,842
	8,572	20,998

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2013	2012
	US$'000	US$'000
Gross amount	**402**	620
Less: Allowance for impairment	**(402)**	(620)
	-	-
Balance at beginning of financial year	**620**	1,332
Allowance made	**264**	508
Allowance utilised	**(482)**	(1,220)
Balance at end of financial year	**402**	620

The impaired trade receivables arise mainly from sales to specific customers which have defaulted payments due to going concern issues. The Group has since ceased sales to these customers.

30. Financial risk management (continued)

(c) Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments, including the repayment of interest arising from borrowings.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year US$'000	Between one and two years US$'000	Between two and five years US$'000	Over five years US$'000
Group				
At 31 December 2013				
Gross settled currency forwards				
- Receipts	83,863	-	-	-
- Payments	(84,828)	-	-	-
Trade and other payables	(132,213)	-	-	-
Borrowings	(105,968)	(114,512)	(343,187)	(1,184,872)
Total	(239,146)	(114,512)	(343,187)	(1,184,872)

	Less than one year US$'000	Between one and two years US$'000	Between two and five years US$'000
Group			
At 31 December 2012			
Gross settled currency forwards			
- Receipts	149,144	-	-
- Payments	(147,098)	-	-
Trade and other payables	(128,689)	-	-
Borrowings	(123,940)	(649,176)	(586,894)
Redemption liability	(1,877)	-	-
Total	(252,460)	(649,176)	(586,894)

30. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the return of capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables and redemption liability less cash and bank deposits. Total capital is calculated as equity plus net debt.

	Group	
	2013	2012
	US$'000	US$'000 (restated)
Net debt	**1,008,220**	1,093,228
Total equity	**361,796**	445,388
Total capital	**1,370,016**	1,538,616
Gearing ratio	**73.6%**	71.1%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 2013.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

30. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2013				
Assets				
Derivative financial instruments	-	217	-	217
Available-for-sale financial assets	60	-	1,323	1,383
Total assets	**60**	**217**	**1,323**	**1,600**
Liabilities				
Derivative financial instruments	-	1,034	-	1,034
Total liabilities	**-**	**1,034**	**-**	**1,034**
Group				
2012				
Assets				
Derivative financial instruments	-	1,600	-	1,600
Available-for-sale financial assets	-	-	1,323	1,323
Total assets	**-**	**1,600**	**1,323**	**2,923**
Liabilities				
Derivative financial instruments	-	1,117	-	1,117
Total liabilities	**-**	**1,117**	**-**	**1,117**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2 derivative financial instruments comprise currency forwards and gold par forwards. These currency forwards and gold par forwards have been fair valued using actively quoted forward exchange rates and gold prices respectively.

During the financial year ended 31 December 2013, no derivative financial instruments are transferred from Level 2 to Level 3 and there has been no change in carrying amount of the Level 3 instruments.

The fair values of available-for-sale financial assets that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods, and makes assumptions that are based on current market conditions existing at each balance sheet date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis. For equity securities classified as available-for-sale financial assets, the Group also estimates the fair values of the financial assets by reference to the net asset value of these equity securities, adjusting where applicable using appropriate measures to fair value the underlying assets and liabilities. Such instruments are included in Level 3. In determining these fair values, management evaluates, among other factors, the reliability and appropriateness of the use of the underlying net asset information provided, taking into consideration factors such as industry and sector outlook, other market comparables and other prevailing market factors and conditions.

30. **Financial risk management** (continued)

(e) Fair value measurements (continued)

There were no changes in valuation techniques during the financial year.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is disclosed on the face of the consolidated balance sheets and in Notes 10 and 14, except for the following:

	Group	
	2013	2012
	US$'000	US$'000
Loans and receivables	**329,417**	344,903
Financial liabilities at amortised cost	**1,226,075**	1,294,447

31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Key management personnel compensation

	Group	
	2013	2012
	US$'000	US$'000
Wages and salaries	**5,112**	7,186
Termination benefits	**691**	2,271
Employer's contribution to defined contribution plans, including Central Provident Fund	**89**	151
	5,892	9,608

32. Holding corporations

The Company's immediate holding corporation is UTAC Holdings Ltd., incorporated in Singapore. The Company's ultimate holding corporation is Global A&T Holdings, incorporated in Cayman Islands. Global A&T Holdings is jointly controlled by TPG Capital and Affinity Equity Partners.

33. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee (the "Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and other senior management.

The Exco reviews the financial information of assembly and test services segment periodically as part of the overall performance evaluation and resource allocation decision making process.

Production facilities in Asia are engaged in the test and assembly services for a broad array of semiconductor products, including memory, mixed-signal and logic, and analog products manufacture and sale of electronic parts. Other geographic locations are engaged in the sale of these services.

The segment information provided to the Exco for the reportable segments are as follows:

	Assembly US$'000	Test US$'000	Group US$'000
2013			
Segment sales/Sales to external parties	**501,457**	**246,939**	**748,396**
Segment gross profit	**56,308**	**41,438**	**97,746**
Segment assets			
Property, plant and equipment	**203,447**	**232,715**	**436,162**
Intangible assets	**318,007**	**349,447**	**667,454**
	521,454	**582,162**	**1,103,616**
2012			
Segment sales/Sales to external parties	636,747	293,352	930,099
Segment gross profit	87,183	47,694	134,877
Segment assets			
Property, plant and equipment	262,465	298,016	560,481
Intangible assets	322,685	349,967	672,652
	585,150	647,983	1,233,133

The revenue from external parties reported to the Exco is measured in a manner consistent with that in the combined statements of comprehensive income.

Gross profit of the operating segments is one of the performance measurement assessed by the Exco. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Corporate Treasury department, which manages the cash position of the Group.

33. Segment information (continued)

(a) Reconciliations

(i) *Segment profits*

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

	2013 US$'000	2012 US$'000
Segment gross profit of reportable segments	**97,746**	134,877
Other income – net	**37,284**	7,212
Selling, general and administrative expenses	**(57,704)**	(63,891)
Research and development expenses	**(12,275)**	(18,812)
Finance expenses	**(120,655)**	(79,572)
Other operating expenses	**(16,399)**	(12,246)
Share of (loss)/profit of associated company	**(4,457)**	732
Loss before income tax	**(76,460)**	(31,700)

(ii) *Segment assets*

The amounts provided to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Exco monitors the property, plant and equipment and intangible assets attributable to each segment. All other assets are not allocated to reportable segments and are not monitored at the segment level.

Segment assets are reconciled to total assets as follows:

	2013 US$'000	2012 US$'000
Segment assets for reportable segments	**1,103,616**	1,233,133
Unallocated:		
Property, plant and equipment	**99,995**	95,481
Intangible assets	**41,291**	52,399
Investment in associated company	**-**	4,457
Available-for-sale financial assets	**1,383**	1,323
Derivative financial instruments	**217**	1,600
Trade and other receivables	**106,747**	138,356
Inventories	**33,548**	43,503
Cash and bank deposits	**217,855**	201,219
Other current assets	**10,368**	12,467
Deferred income tax asset	**2,505**	2,505
Other non-current assets	**9,808**	7,949
Combined total assets	**1,627,333**	1,794,392

(iii) *Segment liabilities*

The Exco evaluates liabilities as a whole and do not allocate and monitor liabilities at the reportable segment level.

33. Segment information (continued)

(b) Geographical information

The Group's segment revenue identified by the location of customers is as follows:

	Group	
	2013	2012
	US$'000	US$'000
United States	**331,396**	375,114
Taiwan	**112,376**	145,423
China	**41,655**	79,534
Germany	**16,428**	37,867
Switzerland	**12,684**	14,632
France	**8,005**	17,598
Japan	**24,427**	30,156
Korea	**18,107**	26,018
Singapore	**160,987**	176,828
Others	**22,331**	26,929
	748,396	930,099

The Group's segment non-current assets (excluding goodwill) identified are located in four main geographical areas:

	Group	
	2013	2012
	US$'000	US$'000
Singapore	**183,641**	207,934
Taiwan	**99,326**	134,361
China	**93,624**	132,159
Thailand	**83,620**	115,274
	460,211	589,728

(c) Revenue from major customers

The Group's 10 largest customers by sale, in aggregate, accounted for 63% (2012: 66%) of total revenue. These customers are attributable to the assembly and test services segment.

34. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

- FRS 27 (revised 2011) – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 – Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

The management anticipates that the adoption of the above amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

35. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Global A&T Electronics Ltd on 18 March 2014.

36. Listing of companies in the Group

(a) The active subsidiaries of Global A&T Electronics Ltd are as follows:

Name of Company	Principal activities	Country of business/ incorporation	Equity holding 2013 %	2012 %
United Test and Assembly Center Ltd +++	Provides assembly and testing of semiconductors services and corporate office functions	Singapore	**100.0**	100.0
UTAC (Taiwan) Corporation +	Provides assembly and test services	Taiwan	**100.0**	100.0
UTAC (Shanghai) Co., Ltd. +++++	Provides assembly and test services	People's Republic of China	**100.0**	100.0
UTAC Hong Kong Limited ++++	Sales and corporate functions and holding company	Hong Kong	**100.0**	100.0
UTAC Cayman Ltd. ++++	Investment holding company	Cayman Islands	**100.0**	100.0
UTAC Dongguan Ltd ++++	Provides assembly and test services for package integrated circuits	People's Republic of China	**100.0**	100.0
UCD Cayman Ltd**	Investment holding company	Cayman Islands	**100.0**	90.0
UTAC Chengdu Ltd**	Provides assembly and testing of semiconductors services	People's Republic of China	**100.0**	90.0

36. Listing of companies in the Group (continued)

(a) The active subsidiaries of Global A&T Electronics Ltd are as follows (continued):

Name of Company	Principal activities	Country of business/ incorporation	Equity holding 2013 %	Equity holding 2012 %
UTAC Thai Holdings Limited ++	Holding company	Thailand	**100.0**	100.0
UTAC Thai Limited ++	Provides assembly and test services	Thailand	**97.3**	97.3
UTAC Group Global Sales Ltd *	Sales and corporate functions and holding company	Cayman Islands	**100.0**	100.0
UGS America Sales Inc. *	Provides sales and marketing services	United States	**100.0**	100.0
UGS Asia Sales Pte. Ltd. +++	Provides sales and marketing services	Singapore	**100.0**	100.0
UGS China Sales Ltd ***	Provides sales and marketing services	People's Republic of China	**100.0**	100.0
UGS Europe Sales S.r.l *	Technical and commercial services	Italy	**100.0**	100.0
UGS UK Sales Ltd *	Provides sales and marketing services	United Kingdom	**100.0**	100.0

* Not required to be audited by law in their countries of incorporation
** Audited by 四川必达会计师事务所有限公司 (Sichuan Bida Certified Public Accountants)
*** Audited by Shanghai Xiao Tian Cheng Certified Public Accountants Co., Ltd, Shanghai
\+ Audited by PricewaterhouseCoopers, Taiwan
++ Audited by PricewaterhouseCoopers, Thailand
+++ Audited by PricewaterhouseCoopers LLP, Singapore
++++ Audited by PricewaterhouseCoopers, Hong Kong
+++++ Audited by PricewaterhouseCoopers Zhong Tian LLP 普华永道中天会计师事务所（特殊普通合伙）

(b) The active associated company of Global A&T Electronics Ltd is as follows:

Name of Company	Principal activities	Country of business/ incorporation	Equity holding 2013 %	Equity holding 2012 %
Nepes Pte. Ltd. # (1)	Provides wafer bumping services	Singapore	**19.9**	19.9

\# Audited by KPMG LLP, Singapore
(1) Investment in Nepes Pte. Ltd. is treated as an associate of the Group notwithstanding that the Group holds less than 20% of the voting power in this company on grounds that the Group exercises significant influence by virtue of representation on the board of Nepes Pte. Ltd.