QUARTERLY REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2019

UTAC HOLDINGS LTD.

May 9, 2019

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CERTAIN DEFINITIONS AND CONVENTIONS

In this quarterly report, unless otherwise indicated, all references to "our company," "we," "our," "us," or "group" refer to UTAC Holdings Ltd., a company incorporated in Singapore, and its consolidated subsidiaries, and all references to "UTAC Holdings" are to UTAC Holdings Ltd., on a standalone basis.

In this quarterly report, we refer to members of our group as follows:

Abbreviation	Name of group entity
GATE	Global A&T Electronics Ltd.
UDG	UTAC Dongguan Ltd.
UGGS	UTAC Group Global Sales Ltd.
UHK	UTAC Hong Kong Limited
UHQ	UTAC Headquarters Pte. Ltd.
UID	PT UTAC Manufacturing Services Indonesia
UMS	UTAC Manufacturing Services Pte. Ltd.
UMS HK	UTAC Manufacturing Services Limited
UMS Holdings	UTAC Manufacturing Services Holdings Pte. Ltd.
UMY	UTAC Manufacturing Services Malaysia Sdn. Bhd
USC	UTAC (Shanghai) Co., Ltd.
USG America	UGS America Sales, Inc.
USG1	United Test and Assembly Center Ltd.
USG2	UTAC Manufacturing Services Singapore Pte. Ltd.
UTAC Cayman	UTAC Cayman Ltd.
UTAC Japan	UTAC Japan Co. Ltd.
UTC	UTAC (Taiwan) Corporation
UTH	UTAC Thai Holdings Limited
UTL	UTAC Thai Limited

References to:

- "2019 Indenture" are to the indenture dated February 7, 2013, as amended and supplemented from time to time, entered into among GATE, the GATE subsidiary guarantors and Citicorp International Limited, as trustee and security agent. The 2019 Notes (as defined below) were cancelled pursuant to GATE's Joint Chapter 11 Plan of Reorganization dated December 22, 2017 (the "**Chapter 11 Plan**") which became effective on January 12, 2018. For more information, see "*Description of Certain Indebtedness*" of our annual report for the year ended December 31, 2018;

- "2023 Indenture" are to the indenture dated January 12, 2018, as amended and supplemented from time to time, entered into among GATE as issuer, UTAC Holdings, the Original subsidiary guarantors and Wilmington Savings Fund Society FSB as trustee and security agent;

- "2019 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 2019 Indenture. The 2019 Notes were cancelled pursuant to the Chapter 11 Plan which became effective on January 12, 2018. For more information, see "*Description of Certain Indebtedness*" of our annual report for the year ended December 31, 2018;

- "2023 Notes" are to the 8.50% Senior Secured Notes due 2023, issued on January 12, 2018, pursuant to the terms of the 2023 Indenture;

- "GATE subsidiary guarantors" are to certain subsidiaries of GATE, being for the time being: USG, UHK, UTC, UTAC Cayman, UTH, UTL and UHQ; and

- "Original subsidiary guarantors" are to certain subsidiaries of UTAC Holdings, being for the time being: UHK, UID, UMS, UMS HK, USG1, USG2, UMS Holdings, UTAC Cayman, UTAC Japan, UHQ, UTC, UGS America and UGGS.

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

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate by reference into this quarterly report, UTAC Holdings' annual report for the year ended December 31, 2018, dated April 15, 2019. Any document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such document should not create any implication that there has been no change in our affairs since such date. The information incorporated by reference is considered to be part of this quarterly report. Information in this quarterly report supersedes any information incorporated by reference that was delivered to you prior to the date of this quarterly report. In other words, in the case of a conflict or inconsistency between information contained in this quarterly report and any information incorporated by reference into this quarterly report, you should rely on the information contained in the document that was delivered to you later.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This quarterly report includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of U.S. securities laws. The terms "anticipates," "expects," "may," "will," "should" and other similar expressions identify forward-looking statements. These statements appear in a number of places throughout this quarterly report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the semiconductor industry may differ materially from those made in or suggested by the forward-looking statements contained in this quarterly report.

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.

MATERIAL RECENT DEVELOPMENTS SINCE MARCH 31, 2019

Other than as disclosed elsewhere in this quarterly report, there have been no material developments in our business since March 31, 2019.

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

You should read the following discussion of our results of operations in conjunction with our unaudited consolidated condensed interim financial information as of and for the three months ended March 31, 2019 and the related notes thereto included elsewhere in this quarterly report.

Our unaudited consolidated condensed interim financial information are reported in U.S. dollars and have been prepared in accordance with Singapore Financial Reporting Standards, or SFRS, which may differ in certain significant respects from generally accepted accounting principles in other countries.

Overview

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

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

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

	Three months ended March 31,			
	2018		2019	
Service type	**Amount ($ in millions)**	**Percentage of sales**	**Amount ($ in millions)**	**Percentage of sales**
Assembly	136.6	68.1%	118.9	68.3%
Test	58.3	29.0%	51.0	29.3%
Others	5.8	2.9%	4.2	2.4%
Total	**200.7**	**100.0%**	**174.1**	**100.0%**

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

	Three months ended March 31,			
	2018		2019	
Product category	**Amount ($ in millions)**	**Percentage of sales**	**Amount ($ in millions)**	**Percentage of sales**
Analog	95.6	47.7%	90.1	51.7%
Mixed-signal and logic	66.7	33.2%	53.8	30.9%
Memory	15.9	7.9%	13.7	7.9%
Others	16.7	8.3%	12.3	7.1%
Liquidated damages	5.8	2.9%	4.2	2.4%
Total	**200.7**	**100.0%**	**174.1**	**100.0%**

Sales from our analog product category decreased by 5.8% to $90.1 million for the three months ended March 31, 2019 from $95.6 million for the three months ended March 31, 2018, primarily due to excess customers' inventory and lower demand from integrated device manufacturer customers.

Sales from our mixed-signal and logic product category decreased by 19.3% to $53.8 million for the three months ended March 31, 2019 from $66.7 million for the three months ended March 31, 2018. This was mainly attributable to slower demand from mobile customers.

Sales from our memory product category decreased by 13.8% to $13.7 million for the three months ended March 31, 2019 from $15.9 million for the three months ended March 31, 2018, mainly due to lower demand for memory products.

Sales from our other product categories decreased by 26.3% to $12.3 million for the three months ended March 31, 2019 from $16.7 million for the three months ended March 31, 2018, mainly due to lower orders from a major Japanese customer.

Sales from our liquidated damages decreased by 27.6% to $4.2 million for the three months ended March 31, 2019 from $5.8 million for the three months ended March 31, 2018, primarily due to the scheduled decrease in the amount of services and products that our customer has committed to purchase under our take-or-pay contract with such customer through June 2019. For further details about liquidated damages, see "*Management's Discussions and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Liquidated damages under take-or-pay contracts*" of our annual report for the year ended December 31, 2018.

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

	Three months ended March 31,			
	2018		2019	
Geographical region	**Amount ($ in millions)**	**Percentage of sales**	**Amount ($ in millions)**	**Percentage of sales**
United States	99.2	49.5%	93.0	53.4%
Japan	55.3	27.6%	43.8	25.2%
Europe	27.8	13.8%	23.9	13.7%
Asia (excluding Japan)	16.6	8.2%	12.6	7.2%
Others	1.8	0.9%	0.8	0.5%
Total	**200.7**	**100.0%**	**174.1**	**100.0%**

Sales from our customers in the United States and Asia (excluding Japan) decreased to $93.0 million and $12.6 million, respectively, for the three months ended March 31, 2019 compared to $99.2 million and $16.6 million, respectively, for the three months ended March 31, 2018. This decrease was primarily due to a softer mobile handset market.

Results of Operations

	Three months ended March 31,			
	2018		2019	
	($ in millions, except percentages)			
Sales	200.7	100.0%	174.1	100.0%
Cost of sales	(160.3)	(79.9%)	(144.1)	(82.8%)
Gross profit	40.4	20.1%	30.0	17.2%
Other income	248.7	123.9%	2.5	1.4%
Other losses — net	(1.7)	(0.8%)	(0.1)	(0.1%)
Expenses:				
Selling, general and administrative	(32.6)	(16.2%)	(19.4)	(11.1%)
Research and development	(4.0)	(2.0%)	(4.2)	(2.4%)
Finance	(14.2)	(7.1%)	(14.7)	(8.4%)
Others	(2.8)	(1.4%)	(0.3)	(0.2%)
Profit/(Loss) before tax	233.8	116.5%	(6.2)	(3.6%)
Income tax (expense)/ credit	1.1	0.5%	(2.0)	(1.1%)
Profit/(Loss) after tax	234.9	117.0%	(8.2)	(4.7%)
Non-controlling interest	-	-	0.1	0.1%
Profit/(Loss) after non-controlling interest	234.9	117.0%	(8.3)	(4.8%)

Three months ended March 31, 2019 compared to three months ended March 31, 2018

Sales. Sales decreased by 13.3% to $174.1 million for the three months ended March 31, 2019 from $200.7 million for the three months ended March 31, 2018.

Our assembly service sales decreased by 13.0% to $118.9 million for the three months ended March 31, 2019 from $136.6 million for the three months ended March 31, 2018, primarily due to a decrease in sales of our mixed-signal and logic products, analog products, memory products and other products. Our test services sales decreased by 12.5% to $51.0 million for the three months ended March 31, 2019 from $58.3 million for the three months ended March 31, 2018, primarily due to a decrease in sales of our mixed-signal and logic products, memory products and other products, offset by an increase in sales of our analog products.

Cost of sales. Cost of sales decreased by 10.1% to $144.1 million for the three months ended March 31, 2019 from $160.3 million for the three months ended March 31, 2018. The decrease was primarily attributable to a decrease in sales, lower depreciation expenses and a strengthened U.S. dollar which decreased our costs in local currencies such as costs relating to payroll and certain materials. Our cost of sales as a percentage of sales increased to 82.8% for the three months ended March 31, 2019 compared to 79.9% for the three months ended March 31, 2018.

Gross profit. Gross profit decreased by 25.7% to $30.0 million for the three months ended March 31, 2019 from $40.4 million for the three months ended March 31, 2018. Gross profit as a percentage of sales, or gross profit margin, was 17.2% for the three months ended March 31, 2019 compared to 20.1% for the three months ended March 31, 2018. The decreases in our gross profit and gross profit margin were primarily due to decreased sales, which was partially offset by a strengthened U.S. dollar that decreased our costs in local currencies such as costs relating to payroll and certain materials and lower depreciation expenses.

Other income. Other income decreased to $2.5 million for the three months ended March 31, 2019 from $248.7 million for the three months ended March 31, 2018. Other income during the three months ended March 31, 2018 comprised a one-time gain from our debt restructuring of $143.4 million and a one-time reversal of accrued interests of $103.3 million relating to the cancellation of the 2019 Notes.

Other losses - net. Other losses – net decreased to $0.1 million for the three months ended March 31, 2019 from $1.7 million for the three months ended March 31, 2018, primarily due to a decrease in foreign exchange losses.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by 40.5% to $19.4 million for the three months ended March 31, 2019 from $32.6 million for the three months ended March 31, 2018, primarily due to lower costs associated with corporate actions relating to debt restructuring, offset by share-based compensation expenses recognized during the three months ended March 31, 2019.

Research and development expenses. Research and development expenses were relatively flat at $4.2 million for the three months ended March 31, 2019 compared to $4.0 million for the three months ended March 31, 2018. Research and development expenses in both periods comprised costs associated with certain corporate projects and depreciation expenses.

Finance expenses. Finance expenses increased 3.5% to $14.7 million for the three months ended March 31, 2019 compared to $14.2 million for the three months ended March 31, 2018 primarily due to recognition of finance cost for right-of-use assets of $0.5 million due to the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets.

Other expenses. Other expenses decreased to $0.3 million for the three months ended March 31, 2019 from $2.8 million for the three months ended March 31, 2018. Other expenses were higher during the three months ended March 31, 2018 primarily due to the severance expenditure of $2.1 million that we incurred during that period.

Profit/(Loss) before tax. Our loss before tax was $6.2 million for the three months ended March 31, 2019 compared to profit before tax of $233.8 million for the three months ended March 31, 2018. The profit before tax of $233.8 million for the three months ended March 31, 2018 primarily due to debt restructuring gain.

Income tax (expense)/ credit. Our income tax expense was $2.0 million for the three months ended March 31, 2019 compared to income tax credit of $1.1 million for the three months ended March 31, 2018. The income tax credit for the three months ended March 31, 2018 related to an overprovision of income tax in an earlier period.

Non-SFRS Measures

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

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

We have included adjusted EBITDA because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. We define adjusted EBITDA as EBITDA adjusted for extraordinary items including, for the periods under review, (i) fair value gain on derivatives financial instruments; (ii) foreign exchange loss; (iii) debt restructuring costs; (iv) debt restructuring gain; (v) severance expenditure; and (vi) other one-time expenditure and/or gain, such as expenditure incurred and/or gain derived from the share-based compensation (restricted stock units) and USC closure.

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

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

	Three months ended March 31,	
	2018	2019
	($ in millions)	
Profit/(Loss) after tax	**234.9**	**(8.2)**
Add/(deduct):		
Income tax expense/(credit)	(1.1)	2.0
Finance expenses/(income)	(89.6)	14.1
Depreciation of property, plant and equipment	25.4	24.6
Amortization of intangible assets	1.2	1.2
EBITDA	**170.8**	**33.7**
Add/(deduct):		
Fair value gain on derivatives financial instruments	-	(0.1)
Foreign exchange loss	-	1.0
Debt restructuring costs	14.2	-
Debt restructuring gain	(143.4)	-
Severance expenditure	2.1	0.2
Share-based compensation (Restricted Stock Units)	-	2.1
USC closure	0.9	0.2
Adjusted EBITDA	**44.6**	**37.1**

Liquidity and Capital Resources

Our operations are capital intensive. We have funded our operations and growth primarily through a mixture of short and long-term loans and cash flows from operations. As of March 31, 2019, our primary sources of liquidity included cash and bank deposits of $232.5 million and our undrawn credit facilities of $5.9 million and unutilized bank guarantee facilities of $7.3 million.

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

	Three Months ended March 31,	
	2018	2019
	($ in millions)	
Net cash provided by operating activities	31.7	50.4
Net cash used in investing activities	(10.6)	(27.8)
Net cash provided by/(used in) financing activities	9.8	(0.2)
Net decrease in cash and cash equivalents	30.9	22.4
Cash and cash equivalents at beginning of financial period	184.6	210.1
Cash and cash equivalents at end of financial period	**215.5**	**232.5**

Cash Flows from Operating Activities

We generated $50.4 million in net cash from our operating activities for the three months ended March 31, 2019. Our cash flows generated from operating activities are calculated by adjusting our loss after tax of $8.2 million by (i) non-cash and other items, such as $24.6 million of depreciation of property, plant and equipment, $1.2 million of amortization of intangible assets, $14.7 million in finance expense, $0.6 million in interest income, $2.0 million in income tax expense, $2.1 million in share-based compensation and (ii) changes in working capital described below.

Working capital sources of cash for the three months ended March 31, 2019 included primarily a $9.8 million decrease in cash from our trade and other payables, which was offset by the increase in cash from trade and other receivables of $19.8 million and inventories of $5.9 million.

We generated $31.7 million in net cash from our operating activities for the three months ended March 31, 2018. Our cash flows generated from operating activities are calculated by adjusting our profit after tax of $234.9 million by (i) non-cash and other items, such as $25.4 million of depreciation of property, plant and equipment, $1.2 million of amortization of intangible assets, $14.2 million in finance expense, $103.8 million in interest income, $1.1 million in income tax credit and $143.4 million in debt restructuring gain, and (ii) changes in working capital described below.

Working capital sources of cash for the three months ended March 31, 2018 included primarily a $16.5 million decrease in cash from our trade and other payables, which was offset by the increase in cash from trade and other receivables of $14.1 million, other assets of $1.7 million, inventories of $5.0 million and long-term benefit obligation of $0.5 million.

Cash Flows from Investing Activities

Net cash used in investing activities was $27.8 million during the three months ended March 31, 2019. The principal component of the cash outflow was $28.9 million used for purchases of property, plant and equipment, which was partially offset by proceeds of $0.3 million from the disposal of property, plant and equipment and the receipt of interest income of $0.8 million.

Net cash used in investing activities was $10.6 million during the three months ended March 31, 2018. The principal component of the cash outflow was $11.2 million used for purchases of property, plant and equipment, which was partially offset by proceeds of $0.2 million from the disposal of property, plant and equipment and the receipt of interest income of $0.4 million.

Cash Flows from Financing Activities

Net cash used in financing activities during the three months ended March 31, 2019 was $0.2 million, which was mainly attributable to the repayment of finance lease liabilities.

Net cash generated from financing activities during the three months ended March 31, 2018 was $9.8 million, which was mainly attributable to a net decrease in deposits placed in accordance with the a global settlement, forbearance and restructuring and support agreement that we entered into with the holders of the 2019 Notes on November 2, 2017 of $10.0 million, offset by the repayment of finance lease liabilities of $0.2 million.

Capital Expenditures

We had cash outflows in respect of capital expenditures, or cash capital expenditures, of $28.9 million for the three months ended March 31, 2019 compared to $11.2 million for the three months ended March 31, 2018.

Our capital expenditures of $28.9 million for the three months ended March 31, 2019 primarily related to analog assembly capacity expansion. We currently expect our capital expenditures for 2019 to be slightly higher compared to 2018.

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

Total Borrowings

As of March 31, 2019, the total amount outstanding under our long-term and short-term borrowings (without including leases) was $664.3 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 leases):

Facility	Borrower/ Issuer	Amount outstanding as of March 31, 2019	Total committed amount	Interest rate	Maturity
			($ in millions)		
2023 Notes............................	Global A&T Electronics	665.0[(1)]	665.0	8.5%	January 2023

Notes:

(1) This amount represented the total indebtedness outstanding under the 2023 Notes as of March 31, 2019, without deducting unamortized loan facility and related issuance costs of $0.7 million.

Sales of our subsidiaries (who are not guarantors of the 2023 Notes) accounted for approximately $0.3 million, or less than 0.1%, of our total sales for the three months ended March 31, 2019, and assets accounted for approximately $15.0 million, or 1.0%, of our total assets, and liabilities accounted for approximately $14.5 million, or 1.7%, of our total liabilities, in each case as of March 31, 2019.

Sales of our subsidiaries (who are not guarantors of the 2023 Notes) accounted for approximately $0.1 million, or less than 0.1%, of our total sales for the three months ended March 31, 2018, and assets accounted for approximately $13.9 million, or 0.9%, of our total assets, and liabilities accounted for approximately $3.1 million, or 0.4%, of our total liabilities, in each case as of March 31, 2018.

Short-Term Borrowings

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

UTL has a revolving credit facility of up to 175.0 million Thai Baht (approximately $5.5 million as of March 31, 2019) with Siam Commercial Bank Public Company Limited, which may be utilized for working capital purposes. As of March 31, 2019, this facility has not been utilized.

UTL also has bank guarantee facilities for an aggregate of up to 85.0 million Thai Baht (approximately $2.7 million as of March 31, 2019) with Siam Commercial Bank Public Company Limited which may be utilized for working capital purposes. As of March 31, 2019, guarantees of an aggregate amount of 65.6 million Thai Baht (approximately $2.1 million as of March 31, 2019) have been issued under these facilities.

UTC has bank guarantee facilities for an aggregate of up to $7.0 million as of March 31, 2019 with Far Eastern International Bank which may be utilized for working capital purposes. As of March 31, 2019, guarantees of an aggregate amount of $0.3 million have been issued under these facilities.

UMY has a credit facility of up to RM3.0 million (approximately $0.7 million as of March 31, 2019) with Malayan Banking Berhad, which may be utilized for working capital purposes. As of March 31, 2019, facilities of an aggregate amount of RM1.2 million (approximately $0.3 million) have been utilized.

Leases

We have leased certain plant and equipment. As of March 31, 2019, our total lease obligations were $23.0 million mainly as a result of the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets and lease liability. Lease terms generally range from one to five years with options to purchase at the end of the lease term. Lease terms generally do not contain restrictions concerning dividends, additional debts or further leasing and do not provide for contingent rents. The liabilities under the leases are secured on the plant and equipment, which are the subject of the lease contracts.

Off-balance Sheet Arrangements

As of March 31, 2019, other than disclosed in elsewhere of this document, we do not have any off-balance sheet arrangements.

Contingent Liabilities

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

On April 19, 2019, a major wireless customer commenced an arbitration against United Test and Assembly Center Ltd. ("USG") and UTAC Hong Kong Limited ("UHK") for intellectual property related claims relating to a third party intellectual property vendor. The arbitration relates to amounts that the customer had incurred in defending against, and settling, patent infringement claims brought by the third party intellectual property vendor. The customer is seeking contribution on an indemnity basis from various suppliers of products involved in the suits, including USG and UHK. The matter is at an early stage and is not expected to be financially material. USG and UHK intend to respond to the claims appropriately.

Critical Accounting Policies

Our critical accounting policies are disclosed in our annual report for the year ended December 31, 2018. During the three months ended March 31, 2019, there have been no significant changes in our critical accounting policies.

Recent Accounting Pronouncements under SFRS

New Accounting Standards and SFRS Interpretations Effective 2019

Certain new standards, amendments and interpretations to existing standards that have been published, and are relevant for UTAC Holdings' accounting periods beginning on or after January 1, 2019 or later periods and which UTAC Holdings has not already adopted. We anticipate that the adoption of these Financial Reporting Standards, or FRS, International Financial Reporting Standards and amendments to the FRS in the future periods will not have a material impact on the financial statements of the UTAC Holdings in the period of their initial adoption. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Accounting Pronouncements under SFRS"* in our annual report for the year ended December 31, 2018.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various financial market risks in our ordinary course business transactions, primarily from interest rate movements on non-current variable rate borrowings and exchange rate movements. For details of quantitative and qualitative disclosures about market risk, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures about Market Risk*" in our annual report for the year ended December 31, 2018.

UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

1 .... UTAC Holdings Ltd. Unaudited Consolidated Condensed Interim Financial Information for the three months ended March 31, 2019

UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the three months ended March 31, 2019

	Three months ended March 31,	
	2018	**2019**
	US$'000	**US$'000**
Sales	200,671	174,117
Cost of sales	(160,340)	(144,126)
Gross profit	40,331	29,991
Other income	248,710	2,552
Other loss – net	(1,685)	(144)
Expenses		
Selling, general and administrative	(32,604)	(19,276)
Research and development	(3,958)	(4,215)
Finance	(14,197)	(14,721)
Other	(2,773)	(311)
Profit/(Loss) before tax	233,824	(6,124)
Income tax (expense)/credit	1,077	(2,038)
Profit/(Loss) after tax	**234,901**	**(8,162)**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges		
- Fair value gains	(2)	–
Increase in capital from restructuring	310,000	–
Others	(65)	(58)
Items that will not be reclassified to profit or loss:		
Remeasurements on post-employment benefit obligation	23	13
Financial assets, at FVOCI		
- Fair value gains	-	(90)
Other comprehensive income, net of tax	**309,956**	**(135)**
Total comprehensive income/(loss)	**544,857**	**(8,297)**
Profit/(Loss) attributable to:		
Equity holders of the Company	234,868	(8,338)
Non-controlling interests	33	176
	234,901	**(8,162)**
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	544,825	(8,459)
Non-controlling interests	32	162
	544,857	**(8,297)**

UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As of March 31, 2019

	December 31, 2018	March 31, 2019
	US$'000	**US$'000**
ASSETS		
Current assets		
Cash and bank deposits	210,087	232,467
Trade and other receivables	122,054	103,229
Inventories	44,881	38,995
Other assets	9,654	9,142
	386,676	**383,833**
Non-current assets held-for-sale	-	-
	386,676	**383,833**
Non-current assets		
Other assets	2,742	3,385
Deferred income tax assets	8,662	6,718
Financial assets, at FVOCI	3,224	3,233
Property, plant and equipment*	438,726	453,566
Goodwill	643,405	643,405
Intangible assets	13,198	12,229
	1,109,957	**1,122,536**
Total assets	**1,496,633**	**1,506,369**
LIABILITIES		
Current liabilities		
Trade and other payables	115,570	111,712
Derivative financial instruments	-	106
Current income tax liabilities	5,207	6,711
Deferred income	-	-
Borrowings*	321	3,589
Provisions	-	-
	121,098	**122,118**
Non-current liabilities		
Trade and other payables	-	-
Borrowings*	664,774	683,787
Deferred income tax liabilities	14,447	13,280
Long-term benefit obligations	29,561	30,316
	708,782	**727,383**
Total liabilities	**829,880**	**849,501**
NET ASSETS	**666,753**	**656,868**
EQUITY		
Capital and reserves attributable to the equity holder of the Company		
Share capital	510,884	510,884
Capital contribution	497,116	497,116
Other reserves	14,458	16,441
Accumulated losses	(361,549)	(373,579)
	660,909	**650,862**
Non-controlling interests	5,844	6,006
Total equity	**666,753**	**656,868**

* Increase in property, plant and equipment and borrowings primarily due to the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets and lease liability.

UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the three months ended March 31, 2019

	← Attributable to equity holder of the Company →						
	Share capital	**Capital contribution**	**Other reserves**	**Accumulated income/(losses)**	**Total**	**Non-controlling interest**	**Total equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
As of January 1, 2019	**510,884**	**497,116**	**14,458**	**(361,549)**	**660,909**	**5,844**	**666,753**
Adoption of FRS116	-	-	-	(3,692)	(3,692)	-	(3,692)
Share-based compensation	-	-	2,104	-	2,104	-	2,104
Total comprehensive income/(loss) for the period	-	-	(121)	(8,338)	(8,459)	162	(8,297)
As of March 31, 2019	**510,884**	**497,116**	**16,441**	**(373,579)**	**650,862**	**6,006**	**656,868**
As of January 1, 2018	**510,884**	**187,116**	**(8,355)**	**(578,417)**	**111,228**	**5,138**	**116,366**
Total comprehensive income/(loss) for the period	–	–	309,957	234,868	544,825	32	544,857
As of March 31, 2018	**510,884**	**187,116**	**301,602**	**(343,549)**	**656,053**	**5,170**	**661,223**

UTAC HOLDINGS LTD. AND ITS SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the three months ended March 31, 2019

	Three months ended March 31,	
	2018	2019
	US$'000	US$'000
Cash flows from operating activities		
Profit/(Loss) after tax	234,901	(8,162)
Adjustments for:		
- Income tax expense	(1,077)	2,038
- Depreciation of property, plant and equipment	25,420	24,607
- Amortization of intangible assets	1,234	1,165
- Net gain on disposal of property, plant and equipment and non-current asset held for sale	(54)	(702)
- Impairment loss on property, plant and equipment	8	-
- Write-off of property, plant and equipment	-	(73)
- Fair value gain on derivative financial instruments	-	(96)
- Finance expense	14,197	14,721
- Interest income	(103,760)	(679)
- Government grant income	(263)	(151)
- Share-based compensation	-	2,104
- Debt restructuring gain	(143,406)	-
	27,200	34,772
Change in working capital		
- Derivative financial instruments	-	202
- Trade and other receivables	14,094	19,819
- Inventories	4,986	5,887
- Other assets	1,683	(281)
- Trade and other payables	(16,485)	(9,834)
- Long-term benefit obligations	462	559
- Currency translation difference	38	(722)
Government grant received	261	151
Income tax paid	(485)	(136)
Net cash provided by operating activities	**31,754**	**50,417**
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(11,195)	(28,892)
Payment for acquisition of intangible assets	(27)	(27)
Proceeds from disposal of property, plant and equipment and non-current assets held for sale	159	316
Interest received	418	846
Net cash used in investing activities	**(10,645)**	**(27,757)**
Cash flows from financing activities		
Repayment of finance lease liabilities	(206)	(206)
Net decrease in depository trust account[1]	10,000	-
Interest paid	-	(74)
Net cash provided by/(used in) financing activities	**9,794**	**(280)**
Net increase in cash and cash equivalents	30,903	22,380
Cash and cash equivalents at the beginning of the financial period	184,606	210,087
Cash and cash equivalents at the end of the financial period	**215,509**	**232,467**

[1] Deposit placed in accordance with the Restructuring Support Agreement.

1. Basis of preparation

The consolidated financial information and related disclosures as of March 31, 2018 and 2019 for the three months ended March 31, 2018 and 2019 are unaudited. The December 31, 2018 consolidated statement of financial position was derived from the audited financial statements, but does not include all the disclosures required to be prepared in accordance with SFRS.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with SFRS have been condensed or omitted for the purposes of the interim financial information. Intercompany accounts and transactions have been eliminated. The preparation of these consolidated financial information and related notes requires our management to make estimates and assumptions that affect the amounts reported in this consolidated financial information. Actual results could differ materially from those estimates. The unaudited consolidated condensed financial information should be read in conjunction with the audited consolidated financial statements and related notes thereto for the financial year ended December 31, 2018.

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

2. Sales

Sales decreased to $174.1 million for the three months ended March 31, 2019 from $200.7 million for the three months ended March 31, 2018. Breakdowns of sales by service type and product category are as follows:

	Three months ended March 31,			
Service type	**2018**		**2019**	
	(in thousands of U.S. dollars, except percentages)			
Assembly	136,591	68.1%	118,880	68.3%
Test	58,299	29.0%	51,040	29.3%
Others	5,781	2.9%	4,197	2.4%
Total	**200,671**	**100.0%**	**174,117**	**100.0%**

	Three months ended March 31,			
Product category	**2018**		**2019**	
	(in thousands of U.S. dollars, except percentages)			
Analog	95,619	47.7%	90,148	51.7%
Mixed-signal and logic	66,685	33.2%	53,805	30.9%
Memory	15,869	7.9%	13,691	7.9%
Others	16,717	8.3%	12,276	7.1%
Liquidated damages	5,781	2.9%	4,197	2.4%
Total	**200,671**	**100.0%**	**174,117**	**100.0%**

3. Cost of sales

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

Cost of sales decreased to $144.1 million for the three months ended March 31, 2019 from $160.3 million for the three months ended March 31, 2018.

4. Cash and bank deposits

Cash and bank deposits	As of December 31, 2018	As of March 31, 2019
	(in thousands of U.S. dollars)	
Cash at bank and on hand	119,758	128,577
Short-term bank deposits	90,329	103,890
Total	**210,087**	**232,467**

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

5. Trade and other receivables

Trade and other receivables	As of December 31, 2018	As of March 31, 2019
	(in thousands of U.S. dollars)	
Current		
Trade receivables – non-related parties	114,522	98,288
Non-trade receivables		
- non-related parties	7,532	4,941
Total	**122,054**	**103,229**

6. Trade and other payables

Trade and other payables	As of December 31, 2018	As of March 31, 2019
	(in thousands of U.S. dollars)	
Trade payables to non-related parties		
- Purchase of property, plant and equipment	22,277	11,981
- Other purchases	36,472	33,648
	58,749	45,629
Other payables – non-related parties	12,223	10,663
Accrued interest payable	-	14,131
Other accrual for operating expenses	43,014	39,395
Deposits and advances from customers	1,584	1,894
Total for current portion	**115,570**	**111,712**

7. Intangibles assets

Intangible assets decreased by $1.0 million to $12.2 million as of March 31, 2019 from $13.2 million as of December 31, 2018, mainly due to amortization for the period of $1.2 million.

8. Property, Plant and Equipment

Property, plant and equipment increased by $14.9 million to $453.6 million as of March 31, 2019 from $438.7 million as of December 31, 2018. The increase was primarily due to a one-off recognition of leased assets on our balance sheet of $18.9 million due to the adoption of FRS 116 pursuant to which we were required to recognize our right-of-use assets and the addition of $21.1 million of property, plant and equipment, offset by depreciation expenses of $24.6 million and the disposal of property, plant and equipment of $0.5 million for the period.

9. Capital commitments

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

Capital Commitments	As of December 31, 2018	As of March 31, 2019
	(in thousands of U.S. dollars)	
Property, plant and equipment	31,345	19,214

10. Contingencies

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

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

11. Segment Information

Three months ended	Assembly	Test	Others	Total
March 31, 2019		(in thousands of U.S. dollars)		
Segment sales/ Sales to external parties	118,880	51,040	4,197	174,117
Segment gross profit	16,593	9,201	4,197	29,991
March 31, 2018				
Segment sales/ Sales to external parties	136,591	58,299	5,781	200,671
Segment gross profit	21,151	13,399	5,781	40,331

11. Segment Information (continued)

Reconciliation

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

	Three months ended March 31,	
	2018	**2019**
	(in thousands of U.S. dollars)	
Segment gross profit of reportable segments	40,331	29,991
Other income	248,710	2,552
Other loss – net	(1,685)	(144)
Selling, general and administrative expenses	(32,604)	(19,276)
Research and development costs	(3,958)	(4,215)
Finance costs	(14,197)	(14,721)
Other expenses	(2,773)	(311)
Profit/(Loss) before income tax	**233,824**	**(6,124)**