

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Fabrinet

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

3661
(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification Number)

**Walker House
87 Mary Street
George Town
KY1-9009
Cayman Islands
(662) 998-9956**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Corporation Service Company
1090 Vermont Avenue, N.E., Suite 430
Washington, D.C. 20005
(800) 927-9800**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee
Ordinary shares, par value \$0.01 per share	\$250,000,000	\$7,675

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes offering price of ordinary shares that the underwriters have the option to purchase to cover over-allotments, if any.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We and the selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we and the selling shareholders are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued , 2007

[] Shares
fabrinet[®]
ORDINARY SHARES

Fabrinet is offering [] ordinary shares and the selling shareholders are offering [] ordinary shares. This is our initial public offering and no public market exists for our ordinary shares. We anticipate that the initial public offering price will be between \$[] and \$[] per ordinary share.

We have applied for listing of our ordinary shares on the New York Stock Exchange under the symbol "FN."

Investing in our ordinary shares involves risks. See "[Risk Factors](#)" beginning on page 9.

PRICE \$ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Fabrinet	Proceeds to Selling Shareholders
Per share	\$	\$	\$	\$
Total	\$	\$	\$	\$

Fabrinet has granted the underwriters the right to purchase up to an additional [] ordinary shares and the selling shareholders have granted the underwriters the right to purchase up to an additional [] ordinary shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ordinary shares to purchasers on , 2007.

MORGAN STANLEY

DEUTSCHE BANK SECURITIES

ABN AMRO ROTHSCHILD LLC

THOMAS WEISEL PARTNERS LLC

COWEN AND COMPANY

, 2007

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You should rely only on the information contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission in connection with this offering. We have not, and the underwriters and selling shareholders have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus. We and the selling shareholders are offering to sell, and seeking offers to buy, ordinary shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus or in any free writing prospectus is accurate only as of its date, regardless of the time of its delivery or of any sale of ordinary shares.

We have not taken any action to permit a public offering of the ordinary shares outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who came into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ordinary shares and the distribution of this prospectus outside of the United States.

Through and including _____, 2007 (the 25th date after the date of this prospectus), U.S. federal securities laws may require all dealers that effect transactions in these securities, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

CONVENTIONS THAT APPLY TO THIS PROSPECTUS

Unless we indicate otherwise, all information in this prospectus reflects the following:

- no exercise by the underwriters of their over-allotment option to purchase up to [] additional ordinary shares.

Except where the context otherwise requires and for purposes of this prospectus only:

- “we,” “us,” “our company” and “our” refer to Fabrinet and its direct and indirect wholly-owned subsidiaries, including Fabrinet USA, Inc., Fabrinet Co., Ltd., E2O Communications Pte Ltd., PT E2O Communications Indonesia, FBN New Jersey Manufacturing, Inc., Fabrinet China Holdings, CASIX, Inc. and FBN Canada Manufacturing, Inc.;
- all references to “ordinary shares” refer to our ordinary shares;
- all references to “dollars” or “\$” are to the legal currency of the United States;
- “China” or “the PRC” refers to the People’s Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan; and
- “USA” or “the U.S.” refers to the United States of America.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our ordinary shares. You should carefully read this prospectus, including our financial statements and related notes beginning on page F-1, and the registration statement of which this prospectus is a part in their entirety before investing in our ordinary shares, especially the risks of investing in our ordinary shares, which we discuss under “Risk Factors.”

Overview

We are a leading provider of foundry services to optical component, module and subsystem, or optics, OEMs. Our services are based on precision optical and electro-mechanical process technologies and know-how that we have obtained through our focus on the industry since our inception in early 2000. We also design, manufacture and sell application-specific bulk optical materials and components, such as glass, crystals, prisms, lenses, laser components and substrates. Recently, we have also begun to provide foundry services to the sensors market, a market that requires precision optical and electro-mechanical process technology similar to the optics market. Examples of products that we manufacture for our OEM customers include selective switching solutions, reconfigurable optical add-drop modules, or ROADMs, and positioning sensors. We believe that there is no other provider of foundry services with similarly advanced optical and electro-mechanical process technology capabilities that does not compete with its customers in their end-markets.

We believe we are uniquely positioned to help our OEM customers reduce their manufacturing costs while maintaining or improving the quality, reliability, design and delivery times for their products. We offer a full range of foundry services that cover the entire manufacturing process, including design, supply chain management, manufacturing, product assembly and test. We believe our optical and electro-mechanical process technologies, coupled with our bulk optical materials and components technologies, have created a key competitive advantage for us. These technologies include:

- design and fabrication of bulk optical materials and components;
- material and process analysis;
- precision optical and electro-mechanical assembly;
- fiber metallization and lensing;
- fiber handling and alignment;
- advanced optical packaging;
- reliability testing; and
- optical testing.

Our end-to-end capabilities enable us to provide solutions that often lead to improvements to our customers’ product development cycles, manufacturing cycle times, quality and reliability, input cost and lead times, manufacturing yields and end product costs. We offer an efficient, technologically advanced and flexible manufacturing infrastructure that is designed to enable the scale production of low-volume, high-mix products, as well as high-volume products. As of September 30, 2007, our facilities comprised approximately 754,000 total square feet, including approximately 114,000 square feet of office space and approximately 640,000 square feet devoted to manufacturing and related activities, of which approximately 180,000 square feet were clean room facilities. Of the aggregate square footage of our facilities, approximately 515,000 square feet are located in Thailand and the balance is in the PRC and the U.S.

Our customers include seven of the ten largest optics companies worldwide in terms of revenue in 2006, according to Ovum-RHK, a marketing research firm. In many cases, we are the sole foundry partner used by our

customers for the products that we produce for them in our facilities. We have passed the rigorous facility and product-specific qualification processes of our customers and our customers' customers and believe that we have established a strong reputation for quality and reliability with both groups.

Our leadership in providing foundry services to optics OEMs has enabled us to deliver a strong financial track record of increasing revenues and profitability. Our total revenues have increased from \$202.0 million in fiscal 2005 to \$375.7 million in fiscal 2006 to \$496.1 million in fiscal 2007, a compound annual growth rate of 56.7%. Our gross margins and operating margins have increased from 5.6% and 2.4%, respectively, in fiscal 2005 to 9.6% and 6.7%, respectively, in fiscal 2006 to 14.6% and 10.9%, respectively, in fiscal 2007. We have been consistently profitable since our inception and have achieved 30 quarters of consecutive profitable operations.

Industry Background

Consistent increases in network traffic volumes driven by the demand for enhanced voice and video applications delivered over internet protocol, or IP, networks, coupled with competition to deliver converged voice, data and video services, have resulted in higher network utilization and the need for carrier networks to increase their bandwidth capacity. This demand for increased capacity has spurred an increase in carrier demand for infrastructure equipment, including optical communications equipment. According to Ovum-RHK, annual sales for the global optical components market increased at a compound annual growth rate of 9.8% between 2002 and 2006, reaching approximately \$3.9 billion in 2006. Ovum-RHK projects that annual sales will increase at a compound annual growth rate of 8.1% to reach approximately \$5.1 billion by 2011.

Since 2001, the optics industry has undertaken to reduce manufacturing capacity and transition to a low-cost and more efficient manufacturing base. By outsourcing production to third parties, optics vendors are better able to concentrate on what they believe to be their core strengths, such as research and development, marketing and sales. Outsourcing production often allows these vendors to reduce product cost, achieve accelerated time-to-market and time-to-volume production, and access advanced design and manufacturing technologies. By undertaking this transition, these vendors may also reduce their costs, leverage best-of-breed manufacturing processes, improve reliability and yields, and centralize production in low-cost geographies.

The optical and electro-mechanical process technologies used in the optics market also have applications in the sensors market. According to Global Industry Analysts, Inc., or GIA, annual sales for the global sensors market increased at a compound annual growth rate of 6.8% between 2002 and 2006, reaching approximately \$46.0 billion in 2006. GIA projects that annual sales will increase at a compound annual growth rate of 7.5% to reach approximately \$61.3 billion by 2010. This growth is driven by improved functionality and reduced costs, as well as advances in embedded processing and wireless networking, enabling new applications across a variety of industries and device platforms. Sensors are used in many diverse industries, including medical device, automotive and test and measurement equipment, logistics, oil and gas, chemical and other industries. Similar to the optics market, the manufacturing of sensor components is complex, utilizing customized environments and a variety of specialty processes, including optical packaging technology, such as laser welding, and fiber handling and alignment.

We believe that we are uniquely positioned to provide foundry services in the optics and sensors markets. In addition to the high barriers to entry associated with the complexities of optical and electro-mechanical manufacturing processes, critical customer intellectual property is involved in the manufacture of our customers' products. Most companies with our expertise have chosen to introduce their own products and as a result directly compete with their customers. Intellectual property risks, as well as the technical challenges of achieving high yields and quality levels have historically made OEMs reluctant to outsource production of their products to more than a single trusted partner. We believe that we are unique in our target markets because we have adopted a pure foundry business model, in that we exclusively produce optics for our customers and do not compete with

them. As a result of our model, we believe that we are more closely aligned and better able to develop a long-term relationship with our customers than our competitors.

Our Competitive Strengths

We believe that we have become the optical foundry market leader due to our long-term investment in optical and electro-mechanical process technology and our strategic alignment with our customers. More specifically, our key competitive strengths include:

- advanced optical and electro-mechanical process technology expertise;
- superior value proposition;
- complete optical manufacturing and process engineering solution;
- vertical integration targeting custom bulk optical materials and components; and
- a management team with a demonstrated track record of financial and strategic execution.

Our Growth Strategy

Our mission is to further strengthen our leadership position in optical foundry services and to become the leading provider of foundry services for sensor products and solutions worldwide. To achieve this mission, we plan to:

- expand our optics market leadership;
- leverage our advanced optical technology expertise to lead in the sensors market;
- extend our bulk optical materials and components vertical integration; and
- leverage our demonstrated acquisition track record.

Risks Associated With Our Business

We face numerous challenges and risks in our business, including those that we describe under “Risk Factors.” In particular, we may be subject to:

- dependence on a limited number of key customers;
- less than expected growth of our customers in the optics market and our inability to diversify our foundry services and penetrate new markets, such as the sensors market;
- shortages of materials used in our manufacturing processes and increases in the prices that we pay for these materials;
- competitive factors, including actions by our competitors, entry of new competitors into the markets in which we compete, consolidation in the markets that we serve, and our customers’ expansion of their internal manufacturing capacity and capabilities;
- an inability to accurately predict demand and resulting difficulties managing inventory and capacity;
- risks associated with an international business, including adverse political, business or economic changes in Thailand or the PRC, such as wage inflation, currency rate fluctuations, import/export regulations and tax rate changes; and
- difficulties completing or integrating acquisitions or other strategic transactions.

Our Corporate Information

We were organized under the laws of the Cayman Islands in August 1999 and commenced our business operations in January 2000. We have eight direct and indirect wholly-owned subsidiaries. Our principal executive office is located at Walker House, 87 Mary Street, George Town KY1-9009, Cayman Islands, and our telephone number at that address is (662) 998-9956. Our agent for service of process in the United States is Corporation Service Company, 1090 Vermont Avenue, N.E., Suite 430, Washington, D.C. 20005, and its telephone number at that address is (800) 927-9800. Our website address is www.fabrinet.com. The information on or accessible through our website is not part of this prospectus.

Fabrinet, CASIX and VitroCom are registered trademarks of Fabrinet. The Fabrinet logo is a registered stylized trademark of Fabrinet. All other trademarks appearing in this prospectus are the property of their respective holders. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

Unless the context otherwise requires, we use the terms "our company," "we," "us," and "our" in this prospectus to refer to Fabrinet and its subsidiaries.

THE OFFERING

Ordinary shares offered by us	[] shares
Ordinary shares offered by the selling shareholders	[] shares
Over-allotment option	We and the selling shareholders have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase an additional [] ordinary shares to cover over-allotments.
Price per ordinary share	[\$]
Ordinary shares to be outstanding after this offering	[] shares (or [] shares if the underwriters exercise the over-allotment option in full)
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including working capital, capital expenditures for expansion of capacity and potential acquisitions of complementary businesses, technologies or other assets. We will not receive any of the proceeds from the sale of shares by the selling shareholders. See "Use of Proceeds" for additional information.
Dividend policy	We currently do not intend to pay cash dividends and are prohibited from doing so under certain agreements governing our borrowing arrangements.
Listing	We have applied for approval to have our ordinary shares included for listing on the New York Stock Exchange. Our ordinary shares will not be listed on any other exchange or quoted for trading on any over-the-counter trading system.
Proposed NYSE symbol	"FN"
Lock-up	Each of us, the selling shareholders, all of our directors and officers and certain of our shareholders and optionholders have agreed, subject to certain exceptions, not to transfer or dispose of, directly or indirectly, any of our ordinary shares or securities convertible into or exercisable or exchangeable for ordinary shares for a period of 180 days after the date of this prospectus. See "Underwriting."
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our ordinary shares.

The number of ordinary shares that will be outstanding immediately after the closing of this offering is based on 29,795,139 ordinary shares outstanding as of September 30, 2007, and excludes:

- 1,717,800 ordinary shares issuable upon the exercise of stock options outstanding as of September 30, 2007 under our 1999 Share Option Plan at a weighted average exercise price of \$1.91 per share;

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- 118,457 ordinary shares available for future issuance under our 1999 Share Option Plan, [] ordinary shares that will be available for future issuance under our 2007 Performance Incentive Plan, and [] ordinary shares that will be available for future issuance under our employee stock purchase plan; and
- 97,175 ordinary shares issuable upon the exercise of a warrant outstanding as of September 30, 2007, at an exercise price of \$0.01 per share.

Unless otherwise indicated, all information in this prospectus assumes:

- no exercise by the underwriters of their option to purchase up to [] additional ordinary shares.
- the amendment and restatement of our memorandum and articles of association upon or immediately prior to the closing of this offering; and
- the establishment of our 2007 Performance Incentive Plan and the establishment of our employee stock purchase plan that will each become effective upon the later of shareholder approval or the consummation of this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

We have derived the summary consolidated financial data for the years ended June 30, 2007, 2006 and 2005, and as of June 30, 2007 and 2006, from our audited consolidated financial statements that are included elsewhere in this prospectus. We have derived the summary consolidated financial data for the years ended June 30, 2004 and 2003, and as of June 30, 2005, 2004 and 2003, from our audited consolidated financial statements that are not included in this prospectus. The summary consolidated financial data presented below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 43 and our audited consolidated financial statements and the related notes included elsewhere in this prospectus. The results presented below are not necessarily indicative of financial results to be achieved in future periods.

Our consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the U.S., or GAAP.

	Year Ended June 30,				
	2007	2006	2005	2004	2003
(in thousands, except per share data)					
Summary Consolidated Statements of Operations Data:					
Revenues:					
Optics and sensors	\$ 487,028	\$ 370,443	\$ 197,201	\$ 100,438	\$ 33,858
Disk storage solutions	—	—	4,707	106,045	172,089
Income from production wind-down and transfer agreements	9,115	5,216	44	—	—
Total revenues	496,143	375,659	201,952	206,483	205,947
Cost of revenues	(423,858)	(339,682)	(190,633)	(196,036)	(194,603)
Gross profit	72,285	35,977	11,319	10,447	11,344
Selling, general and administrative expenses	(18,036)	(10,935)	(6,389)	(6,165)	(5,535)
Operating income	54,249	25,042	4,930	4,282	5,809
Interest income	1,370	1,015	508	290	400
Interest expense	(2,842)	(3,346)	(834)	(285)	(336)
Foreign exchange (loss) gain, net	(336)	(181)	165	263	25
Income before income taxes	52,441	22,530	4,769	4,550	5,898
Income tax	(2,702)	(1,076)	730	54	(435)
Net income	<u>\$ 49,739</u>	<u>\$ 21,454</u>	<u>\$ 5,499</u>	<u>\$ 4,604</u>	<u>\$ 5,463</u>
Earnings per share:					
Basic	\$ 1.68	\$ 0.73	\$ 0.19	\$ 0.16	\$ 0.20
Diluted	\$ 1.60	\$ 0.71	\$ 0.18	\$ 0.15	\$ 0.18
Weighted average number of ordinary shares outstanding:					
Basic	29,600	29,469	29,451	28,503	27,998
Diluted	31,077	30,403	30,032	30,125	30,400

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	2007	2006	As of June 30, 2005 (in thousands)	2004	2003
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 40,873	\$ 40,063	\$ 42,953	\$35,765	\$36,147
Working capital ⁽¹⁾	102,268	64,856	48,159	42,891	40,889
Total assets	240,081	240,815	180,325	96,394	75,264
Long-term loans from banks, non-current portion	9,825	12,498	8,692	6,222	781
Total liabilities	110,726	162,132	123,287	45,014	28,670
Total shareholders' equity	129,355	78,683	57,038	51,380	46,594

(1) Working capital is defined as current assets minus current liabilities.

RISK FACTORS

Investing in our ordinary shares involves a high degree of risk. You should carefully consider the risks described below and all of the other information included in this prospectus before deciding to invest in our ordinary shares. The risks and uncertainties described below are not the only ones that we may face. Additional risks and uncertainties of which we are unaware, or that we currently deem immaterial, also may become important factors that affect us or our ordinary shares.

If any of the following risks actually occur, they may harm our business, financial condition and operating results. In this event, the market price of our ordinary shares could decline and you could lose some or all of your investment.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially and in adverse ways from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this prospectus.

Risks Relating To Our Business

Our sales are dependent and may continue to be dependent on a few customers. The loss of any of these customers, or adverse actions by these customers, could harm our business, financial condition and operating results.

A few large customers in the optical components, modules and subsystems, or optics, market account for most of our total revenues. Our top three customers accounted for 26%, 23% and 15%, respectively, of our total revenues for the fiscal year ended June 30, 2007. During fiscal 2006, our top three customers accounted for 28%, 24% and 18%, respectively, of our total revenues. Dependence on a limited number of customers means that a reduction in orders from, a loss of, or other adverse actions by any one customer could have an adverse effect on our revenues. We expect to continue to depend upon a relatively small number of customers and their growth, viability and financial stability for a significant percentage of our total revenues. Further, our customer concentration increases the concentration of our accounts receivable and our exposure to payment default by any of our key customers. Many of our existing and potential customers have substantial debt burdens, have experienced financial distress or have static or declining revenues. Certain of our customers have gone out of business, been acquired, or announced their withdrawal from segments of the optics market and the sensors market. We generate significant accounts receivable and inventory for the services that we provide to our customers. As a result, our significant accounts receivable and acquisition of inventory in contemplation of payment from our customers could expose us to substantial and potentially unrecoverable costs.

Many of our customers are large optical components providers that have substantial purchasing power and leverage in negotiating contracts with us. These customers have and will continue to seek advantageous pricing and other commercial terms from us, and may require us to deploy additional engineering services or incur additional costs in the manufacture of the products we sell to them. We have and may continue to be required to reduce our average selling price, or increase the average cost, in response to competitive pricing pressures. Further, our largest customers may exert significant pressure when negotiating an extension of a master supply agreement with us and may require us to renegotiate existing agreements in ways that are disadvantageous to us. To maintain acceptable operating results, we will need to introduce service enhancements on a timely basis and continue to reduce our costs and successfully continue to win new contracts from customers. If we are unable to offset any reductions in our average selling prices or increases in our average costs with increased sales volumes or reduced production costs, our operating results will be harmed.

Our customers have the right to terminate their manufacturing arrangements with us for cause with 30 days prior notice. Some of our customers also have significantly reduced or delayed the volume of design, production, product management or repair services that they order from us. In addition, although we enter into master supply

agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we are awarded business under these agreements on a project by project basis. Typically, the supply contracts or purchase orders that we have in place with our customers are supplemented by an amendment to accommodate the terms of any new business arrangements. We are dependent on customers to fulfill the terms associated with these orders and/or contracts. In addition, our existing contracts with our customers generally have a remaining term and a potential renewal term of less than one year.

We do not expect to sustain historical rates of growth if the trend of outsourcing by our customers slows as a result of a decision by our customers to increase their internal manufacturing capacity, a reduction in demand for the products that we manufacture for our customers, or other reasons.

Our future growth will be limited to the extent that opportunities are not available to us as a result of our customers deciding to perform these functions internally or delaying their decision to outsource, or our inability to win new contracts. Future growth in our total revenues is dependent on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from our customers. In addition, we currently do not expect to enter into new agreements that will generate material income from production wind-down and transfer agreements. Political pressure or negative sentiment by the customers of our customers to the movement of production from the U.S. or other jurisdictions to lower-cost geographies could also adversely affect the rate of outsourcing generally, or adversely affect the rate of outsourcing to manufacturing services providers such as us who have substantial capacity or relationships in lower-cost geographies. Further, many of our customers may already have significant manufacturing capacity in lower-cost geographies, which will reduce our competitive advantage.

Our current customers may also experience a reduction in demand for their products, either as a result of a general downturn in their industry or if they fail to keep up with technological advances. In the event that our customers experience reduced demand for their products, we expect that they will have less production to outsource to us, and may allocate their production to their own in-house manufacturing divisions rather than use a third party like us to manufacture their products.

We depend on the growth of the optics market and the success of our customers in that market.

We depend on the continued growth of the optics market as well as the growth, viability and financial stability of our customers and the end-market demand for our customers' products. Our customers are primarily in the optics market, and our customers' products are incorporated in the products of optical systems vendors. The optics market is characterized by rapid technological changes, shortening product life cycles, vigorous competition, consolidation, and pricing and margin pressures, all of which may cause our customers to lose market share and could also harm our business, financial condition and operating results. A significant reduction in sales to any of our customers, a loss of any one of our customers or a customer exerting significant pricing and margin pressures on us could harm our operating results. Revenues for optics manufacturers is unstable and cyclical and their market has in the past been characterized by periods of significant overcapacity. Our success is dependent upon the success of our customers' products. If our customers terminate their arrangements with us or significantly change, reduce or delay the amount of services that they order from us, it could harm our business, financial condition and operating results.

If the optics market does not expand as we expect, our business may not grow as fast as we expect.

Our future success as a provider of foundry services for the optics market depends on the continued growth of the communications industry and, in particular, the continued expansion of global information networks, particularly those directly or indirectly dependent upon a fiber optics infrastructure. As part of that growth, we are relying on increasing demand for voice, video, text and other data delivered over high-speed connections. Without network and bandwidth growth, the need for advanced communications products would be jeopardized. Currently, demand for network services and for broadband access, in particular, is increasing but growth may be

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limited by several factors, including, among others: (i) an uncertain regulatory environment, (ii) reluctance from content providers to supply video and audio content over the communications infrastructure; and; (iii) uncertainty regarding long-term sustainable business models as multiple industries (e.g., cable, traditional telecommunications, wireless and satellite) offer non-complementary and competing content delivery solutions. The optics market also has experienced periods of overcapacity, and those periods of overcapacity have occurred even during periods of relatively high network usage and bandwidth demands.

If the factors described above were to slow, stop or reverse the expansion in the optics market, our business, financial condition and operating results would be negatively affected for an indeterminate period, in several ways, including:

- overall capital expenditures by many of our customers or potential customers may be flat or reduced;
- we will continue to have only limited ability to forecast the volume and product mix of our sales; and
- managing expenditures and inventory will be difficult in light of the uncertainties surrounding our business.

Ultimately, if either our current expectations or our customers' current expectations for network growth and bandwidth demand are not realized, our business, financial condition and operating results could be harmed.

If we are unable to diversify our foundry services across other markets by penetrating new markets such as the sensors market, our business may not grow as fast as we expect.

We have taken initiatives to increase our diversification across other markets, such as the sensors market, to reduce our dependence on the optics market and to grow our business. Currently, the sensors market, which we expect may include end users in the medical, automotive and industrial sectors, is not a significant source of revenues for us. Further, there can be no assurance that our efforts to expand and diversify into the sensors market or any other markets will prove successful. In particular, we have less experience in the sensors market than we have in the optics market, and, therefore, it is possible that we will experience risks that are different and more severe than we expect. In the event that the opportunities presented by these new markets prove to be less than anticipated, if we are less successful than expected in penetrating these new markets, or if our margins in the new markets prove less than expected, our growth may slow or stall, and we may incur costs that are not offset by revenues in the new market, all of which could harm our business, financial condition and operating results.

Delays or reductions in customer orders, and the relatively short term nature of the commitments of our customers, could harm our business, financial condition and operating results.

We do not typically obtain firm purchase orders or commitments from our customers that extend beyond 13 weeks. While we work closely with our customers to develop forecasts for periods of up to one year, these forecasts are not binding and may be unreliable. Customers may cancel their orders, change production quantities from forecast volumes or delay production for a number of reasons beyond our control. We recognize much of our revenues in the final month of a quarter, in line with increases in customer demand, and contemplated revenues may not materialize, potentially resulting in fluctuations in our quarterly results. Any material delay, cancellation or reduction of orders could cause our revenues to decline significantly and could cause us to hold excess components, materials or other inventory. Many of our costs and operating expenses are relatively fixed. As a result, a reduction in our customer demand could decrease our gross profit and harm our business, financial condition and operating results. In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimate of our customer requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of those customers. Inability to forecast the level of customer orders with certainty makes it difficult to schedule production, order appropriate levels of materials and maximize the utilization of our manufacturing capacity. This could also lead to an inability to meet the production demands that can spike at the end of a quarter, all of which could harm our business, financial condition and operating results.

If our customers do not qualify our foundry services, if our customers' products are not qualified by their customers, or if delays in the qualification process occur, our operating results may suffer.

While most of our customers do not purchase our foundry services until they qualify our foundry services and satisfactorily complete factory audits and vendor evaluations, we typically incur expenses in advance to produce a test run of their products to demonstrate that those products will meet our customers' applicable qualification standards. Existing products that we currently manufacture, as well as each new product that we contemplate manufacturing, must satisfy varying levels of qualification with our customers as a condition to undertaking the manufacturing process. In addition, because of the rapid technological changes in our market, a customer may cancel or modify a design project before we begin large-scale manufacturing of the product and receive revenues from the customer. Further, if the customers of our customers limit the number of suppliers that they use, our customers could lose qualification from their customers with respect to a particular product that we manufacture for them. It is unlikely that we would be able to recover the expenses for canceled or unutilized custom design projects. It is difficult to predict with any certainty whether our customers will delay or terminate product qualification. Likewise, it is difficult to predict our success or the success of our customers in meeting all applicable qualification standards or the frequency with which customers will delay, modify or cancel their projects. Any such delay, modification, failure to qualify or cancellation of a project could harm our business, financial condition and operating results.

If users that purchase optical components, modules and subsystem products from our customers fail to qualify or delay qualifications of any products sold by our customers that use our foundry services, our business, financial condition and results of operations could be harmed. The qualification and field testing of the products that we produce for our customers typically takes six months to a year or longer to complete. This process is unpredictable and not under our or our customers' control. As a result, we may experience a delay in our revenue recognition, or incur significant expenses that we cannot recover if the product fails to meet qualification standards. Any unanticipated delay in qualification of one of our customers' products could result in the delay or cancellation of orders from our customers for components, modules and subsystems included in the applicable product, which could harm our business, financial condition and operating results.

Our quarterly revenues and operating results have fluctuated significantly from quarter to quarter and may continue to do so in the future, which may cause the market price of our ordinary shares after this offering to decline or be volatile.

Our total revenues and operating results have varied significantly from quarter to quarter in the past and may continue to fluctuate significantly in the future. A substantial portion of our total revenues in any given quarter may depend on obtaining and fulfilling orders to be manufactured and shipped in either the same quarter in which those orders are received or in the subsequent quarter. Further, a significant portion of our total revenues in a given quarter may depend on subsystems configured, completed, packaged and shipped in the final weeks of such quarter. Our operating results may fluctuate in the future as a result of many factors, including:

- fluctuations in demand for our manufacturing services and for our customers' products, including as a result of industry-wide downturns, such as the three-to-four year downturn experienced beginning in mid-2001;
- the accuracy of our customers' forecasts of future production requirements;
- our ability to manage our manufacturing process and inventory levels;
- cancellations by customers of orders and shipment reschedulings;
- changes in general competitive and economic conditions or in our customers' markets;
- foreign exchange risk arising from our incurring substantial costs in both the Thai baht and the Chinese renminbi, or RMB, while recognizing revenue principally in U.S. dollars;
- the availability of skilled labor and increases in the cost of skilled labor;

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- the availability of materials used in our manufacturing processes and increases in the price of these raw materials;
- our ability to achieve acceptable production yields from our fabrication facilities;
- the practice of communication equipment suppliers placing large orders sporadically with short lead times;
- our ability to significantly expand our manufacturing capacity at our facilities in Thailand, the PRC and New Jersey;
- the ability of our manufacturing facilities in Thailand, the PRC, and New Jersey to timely produce and deliver products and components in the quantity and of the quality our customers require;
- competitive factors, including actions by our competitors, the entry of new competitors into the manufacturing services markets in which we compete and the actions of our customers' competitors;
- costs associated with, and the outcomes of, any intellectual property or other litigation to which we may become a party; and
- decreased customer demand resulting from intellectual property or other litigation involving our customers.

Due to the above factors and other risks discussed in this section, we believe that quarter-to-quarter comparisons of our operating results may not be useful in predicting future operating results. You should not rely on our results for one quarter as any indication of our future performance. Quarterly variations in our operations could result in significant volatility in the market price of our ordinary shares, and the market price for our ordinary shares might fall below the initial public offering price.

We have only been in operation since January 2000 and have a limited history in our markets, which may make it difficult for you to evaluate our business and business prospects.

Our business was organized in August 1999 and we began operations in January 2000. From our inception until June 2004, the optics market did not represent a significant portion of our total revenues. During the fourth quarter of the fiscal year ended June 30, 2007, the optics market provided substantially all of our total revenues. We have only recently begun to expand into other markets, including the sensors market. As a result, we did not receive meaningful revenues from the sensors market during fiscal 2007. The prospects for our initiatives in new markets, such as the sensors market, is subject to significant uncertainty, and we cannot guarantee that we will receive meaningful revenues from sales of sensors during fiscal 2008. Accordingly, we have a limited operating history and a limited track record in our major markets upon which you can evaluate our business and prospects.

Supply shortages have in the past, and could in the future, impair the quality, cost or availability of many of our important products, and could harm our revenues, profitability and customer relations.

A significant number of our products rely on single-source suppliers for critical materials. Further, many of these sole suppliers are small businesses lacking financial resources or a track record. These products include several of our advanced components, modules and subsystem products across our business segments. We generally purchase these single or limited source products through standard purchase orders or supply agreements. We generally use a rolling 12 month forecast based on anticipated product orders, customer forecasts, product order history, backlog, and warranty and service demand to determine our material requirements. We do not maintain long-term guaranteed supply agreements with all of our suppliers. Lead times for the parts and components that we order vary significantly and depend on factors such as the specific supplier's contract terms and demand for a component at a given time. Historically, we have experienced supply shortages resulting from various causes, including reduced yields by our suppliers, which prevented us from manufacturing products for our customers in a timely manner. Our business, financial condition and operating

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results could be harmed by a stoppage or delay of supply, substitution of more expensive or less reliable products, receipt of defective parts or contaminated materials, an increase in the price of such supplies, or our inability to obtain reduced pricing from our suppliers in response to competitive pressures.

Many of our important suppliers are small companies facing financial stability, quality, yield, scale or delivery concerns. Some of these companies may be acquired, undergo material reorganizations or become insolvent, causing us to lose an important source of supplies. Other important suppliers are larger companies with limited dependency upon our business, resulting in unfavorable pricing, quantity or delivery terms. Certain of our larger suppliers have also experienced and may in the future experience yield problems. While any yield problems experienced by our larger suppliers have not placed a significant strain on our production capacity, we can provide no assurance that this will be true in future periods. We are currently undertaking programs to ensure the long-term strength of our supply chain. Nevertheless, we are experiencing, and expect for the foreseeable future to continue to experience, strain on our supply chain and periodic supplier problems. We have incurred, and expect to continue to incur for the foreseeable future, costs to address these problems. In addition, these problems have impacted, and we expect for the foreseeable future will continue to impact, our ability to meet customer expectations. If we do not identify and implement long-term solutions to our supply chain problems, our customer relationships and business could be harmed.

Consolidation in the markets that we serve could harm our business, financial condition and operating results.

Consolidation in the markets in which our customers compete has resulted in a greater concentration of purchasing power in a small number of large service providers and cable operators. In addition, consolidation of our customers has resulted in a substantial reduction in the number of potential customers for our services. This increased concentration among our customer base and the customer base of our customers may also lead to increased negotiating power for our customers and may require us to decrease our average selling prices.

As a result of the current economic climate, consolidation in the markets that we serve may further increase. Consolidation often results in an increase in excess manufacturing capacity as companies seek to close plants or take other steps to increase efficiencies and realize synergies of mergers. The availability of excess manufacturing capacity could create increased pricing and competitive pressures for our business and our target markets. Finally, consolidation among the suppliers of our important materials could result in higher costs for those materials as a result of reduced competitive pressures between potential suppliers. Accordingly, consolidation in the markets that we serve could harm our business, financial condition and operating results.

Managing our inventory is complex and may include write-downs of excess or obsolete inventory, which could cause our operating results to decrease significantly in a given fiscal period.

Managing our inventory of components, modules and subsystems is complex. Inventory that is not used or expected to be used as and when planned may become excess or obsolete. We are required to forecast our future inventory needs based upon the anticipated demand of our customers. Inaccuracies in making these forecasts or estimates could result in overages or shortages of certain materials. Generally, we are unable to use inventory created for one of our customers to manufacture components, modules and subsystems for any of our other customers. While we attempt to structure our agreements with customers to mitigate our risks related to excess or obsolete inventory, enforcement of these contracts may result in material expense and delay in payment for inventory. If any of our significant customers become unable or unwilling to purchase such inventory, our business, financial condition and operating results may be harmed. Further, in the event that we are unable to obtain contractual protections from our customers with respect to inventory risk, our operating results could decrease significantly in a period in which we experience excess inventory. If actual orders do not match our forecasts, we may have overages or shortages of some materials and components as well as excess inventory purchase commitments. Additionally, we could experience reduced or delayed product shipments or incur additional inventory write-downs and cancellation charges or penalties, which would increase costs and could harm our business, financial condition and operating results.

We may allocate resources to projects in a manner that harms our business, financial condition and operating results based upon forecasts of revenues or volume that prove to be incorrect.

We may be required to make capital investments to expand our capacity, hire and train new employees or devote significant resources to meet the manufacturing needs of our customers. For example, we purchased real estate and began construction of an approximately 305,000 square foot facility in Bangkok, Thailand in 2006, which is expected to commence production in the second quarter of fiscal 2008. In addition, because we use a factory-within-a-factory model whereby assets and employees are in some cases allocated to a specific customer exclusively to protect the intellectual property of those customers, our ability to move employees from the production of one customer's products to the production of another customer's products is often contractually restricted, which could result in underutilized employees or severance costs relating to the termination of those employees. We make resource allocation decisions based upon a variety of factors, including the customer's forecasts of volume or revenues. Sometimes the assumptions and forecasts we or our customers make may be erroneous and may cause us to devote significant resources to a project that fails to achieve these volume or revenue forecasts. If we devote too many resources to a project that fails to meet these forecasts, it could harm our business, financial condition and operating results.

We will be unable to grow our business if we fail to adequately expand our manufacturing and testing capacity or if our customers do not provide us with the equipment necessary to deliver sufficient quantities of products to them.

We may be unable to pursue many large customer orders if we do not have sufficient manufacturing capacity to enable us to commit to provide customers with specified quantities of products. If our customers do not believe that we have sufficient manufacturing capacity, they may: (i) outsource all of their production to another source who they believe can fulfill all their production requirements; (ii) look to a second source for the manufacture of additional quantities of the products that we currently manufacture for them; (iii) manufacture the products themselves; or (iv) otherwise decide against using our services for their new products. In addition, if our customers do not provide us with the equipment necessary to deliver sufficient quantities of products to satisfy a customer's anticipated needs, we could lose the order and the opportunity for significant sales to that customer for a lengthy period of time. Furthermore, if we fail to fulfill orders to which we have committed, we will lose revenue opportunities and our customer relationships could be harmed.

We may prove unsuccessful in our attempts to increase our manufacturing capacity or our ability to manage increased manufacturing capacity.

We manufacture all of our customers' products in our existing facilities in Thailand, the PRC, and the U.S. Currently, we are expanding our manufacturing capacity at our Thailand facilities. We may further expand our manufacturing capacity in the future. We must devote significant resources to the expansion of our manufacturing capacity, and our planned expansion will be expensive, will require management's time and may disrupt our operations.

Additional risks associated with increasing our manufacturing capacity include:

- inability to attract and retain manufacturing personnel, or shortages of such personnel;
- difficulties in achieving adequate yields from new manufacturing product lines;
- inability to quickly implement an adequate set of financial controls to track the increased scale of our business;
- our customers' expansion of their own internal manufacturing capacity and capabilities, thus reducing the demand for our facilities;
- lack of trained personnel to manage the operations and customer contracts appropriately;
- wage inflation in the PRC and Thailand and unfavorable exchange rates;

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- maintaining customer, supplier and other favorable business relationships during a transition period;
- effective training of staff to manage new customers and products;
- unanticipated disruptions in our operations which may impact our ability to make timely deliveries to our customers, produce quality products and ensure overall customer satisfaction;
- our failure to acquire additional facilities in desirable locations or on commercially reasonable terms;
- delays in achieving increased manufacturing capacity, including with respect to our planned increase in manufacturing capacity at our Pinehurst, Thailand facility;
- increased expansion costs as the land surrounding our existing facilities becomes more valuable as our current operations increase the value of nearby properties; and
- our inability to procure any necessary equipment which our customers do not provide but which they may require.

In the event that we are unsuccessful in our attempts to increase our manufacturing capacity or our ability to manage this increased capacity, our business, financial condition and operating results could be harmed.

We face risks related to our international operations and revenues.

Our customers are located throughout the world. In addition, the vast majority of our operations are located in foreign jurisdictions, including manufacturing, sales and customer support operations. Our operations outside North America include facilities located primarily in the Asia-Pacific region. Our international presence exposes us to certain risks, such as the following, any and all of which could harm our operating results:

- our ability to comply with customs, import/export and other trade compliance regulations of the countries in which we do business, together with any unexpected or adverse changes in such regulations;
- difficulties in establishing and enforcing our intellectual property rights;
- currency fluctuations, particularly as it impacts wage inflation in Thailand and the PRC;
- tariffs and other trade barriers;
- changes in local tax rates and other potentially adverse tax consequences, including the cost of repatriation of earnings;
- burdens of complying with a wide variety of foreign laws, including changing import and export regulations, which could erode our profit margins or restrict our exports;
- adverse changes in trade policies between countries in which we maintain operations;
- political, legal and economic instability in foreign markets, particularly in those markets in which we maintain manufacturing facilities or in which our customers maintain significant operations;
- difficulties in staffing and managing international offices, including any labor unrest;
- language and cultural barriers;
- increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- seasonal reductions in business activities in the countries where our international customers are located;
- credit and access to capital risks;
- integration of foreign operations;

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- greater difficulty implementing procedures and controls across diverse geographies;
- potential restrictions on the transfer of funds; and
- other potential adverse tax consequences.

Total revenues from customers outside North America accounted for 35.0%, 33.8%, and 29.1% of our total revenues in the fiscal years ended June 30, 2007, 2006 and 2005, respectively. We expect that total revenues from customers outside North America will continue to account for a significant portion of our total revenues. Our customers also depend on international sales, which further exposes us to the risks associated with international operations. Further, virtually all of our revenues for fiscal 2007 were generated in production facilities located outside of the U.S. In addition, our international operations and sales subject us to a variety of domestic and foreign trade regulatory requirements.

Policy changes by the U.S. government or by foreign governments could also harm our operating results due to increased duties, increased regulatory requirements, higher taxation, currency conversion limitations, restrictions on the transfer of funds, the imposition of or increase in tariffs and limitations on imports or exports. Also, we could be adversely affected if our host countries revise their policies in a manner that is less favorable to foreign investment or foreign trade, including the elimination of tax holidays.

We are subject to governmental export and import controls of several jurisdictions that could subject us to liability or impair our ability to compete in international markets.

We are subject to governmental export and import controls in Thailand, the PRC and the U.S. which limit our ability to sell and distribute the components, modules and subsystems that we manufacture. We currently receive preferential tax treatment from the Thai government, which is contingent on the export of our customers' products out of Thailand, our agreement not to move our manufacturing facilities out of Thailand for up to 15 years and additional requirements. We will lose this favorable tax treatment in Thailand unless we comply with these restrictions, and as a result we may delay or forego certain strategic business decisions due to these tax considerations. In addition, various countries regulate the import of certain technologies and have enacted laws that could limit our ability to distribute our components, modules and subsystems or our customers' ability to implement our components, modules and subsystems in those countries. The export of certain technologies from the U.S. and other nations to the PRC are barred by applicable export controls, and similar prohibitions could be extended to the export of those or other materials to Thailand.

Changes in export and import regulations or the products that we manufacture may prevent our customers with international operations from deploying our components, modules and subsystems throughout their global systems or, in some cases, prevent the export or import of our components, modules and subsystems to certain countries altogether. Any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could result in the decreased use of our components, modules and subsystems by, or in our decreased ability to export or sell our components, modules and subsystems to, existing or potential customers with international operations. Failure to comply with these and similar laws on a timely basis, or at all, or any limitation on our ability to export or sell our foundry services could harm our business, financial condition and operating results.

Changes in the political, social, business or economic conditions in Thailand could harm our business, financial condition and operating results.

Our main operations and assets are concentrated in Thailand. In particular, the majority of our manufacturing services relating to components, modules and subsystems are provided at our Thailand facilities. Therefore, political, social, business and economic conditions in Thailand have a significant effect on our business. Thailand has been assessed as medium political risk by AON Political Risk, a risk management,

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insurance and consulting firm, together with such nations as South Africa and the PRC. Any changes to tax regimes, laws, exchange controls or political action may harm our business, financial condition and operating results.

In September 2006, Thailand experienced a military coup which overturned the existing government. We are not able to currently estimate the long-term impact, if any, that this coup will have on our operations in Thailand. If there were to be future coups or some other type of political unrest, such activity may impact our ability to manufacture products in this region and may prevent shipments from entering or leaving the country. Further, the death of the King of Thailand or any succession crisis could cause new or increased instability and unrest. In the event that a violent coup or civil unrest were to occur, we could be forced to transfer our manufacturing activities to more stable, and potentially more costly, regions. Further, a new Thai government might repeal certain promotional certificates that we have received or tax holidays for certain export and value added taxes that we enjoy, either preventing us from engaging in our current or anticipated activities or subjecting us to higher tax rates. The new regime could nationalize our business or otherwise seize our assets. Conditions could become so unstable that all production activities in Thailand could cease. Past and future political instability such as the coup that occurred in September 2006 could harm our business, financial condition and operating results.

We are increasing our manufacturing operations in the PRC, which exposes us to risks inherent in doing business in the PRC.

One of our bulk optical materials and components manufacturing facilities is located in Fuzhou, the PRC, where CASIX, our wholly-owned subsidiary, operates. We anticipate that we will continue to invest in our manufacturing operations in the PRC. Because of their location in the PRC, these operations are subject to greater political, legal and economic risks than the geographies in which the facilities of many of our competitors and customers are located. In particular, the political and economic climate in the PRC (both at national and regional levels) is extremely fluid and unpredictable. A large part of the PRC's economy is still being operated under varying degrees of control by the PRC government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation, import and export tariffs environmental regulations, land use rights, intellectual property and restrictions on foreign participation in the domestic market of various industries, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved. Other political, economic and social factors may also lead to further reform measures of the PRC. The enforceability of applicable existing laws and regulations of the PRC is uncertain. These concerns are exacerbated for foreign businesses, such as ours, operating in the PRC. Any changes to the political, legal or economic climate in the PRC or the inability to enforce applicable laws and regulations of the PRC could harm our business, financial condition and operating results.

We intend to continue to export products manufactured at our facilities in the PRC. Accordingly, upon application to and approval by the relevant governmental authorities, we may not be subject to certain taxes of the PRC and may be exempt from customs duty assessment on imported components or materials when the finished products are exported from the PRC. However, we are required to pay income taxes in the PRC, subject to certain tax relief. As trade regulations in the PRC are in a state of flux, we may become subject to other forms of taxation and duty assessments in the PRC or may be required to pay for export license fees in the future. In the event that we become subject to any new forms of taxation in the PRC, our business, financial condition and operating results could be harmed.

The uncertain legal environment in the PRC could limit the legal protections available to us.

The PRC's legal system is a civil law system based on written statutes. Unlike the common law system applicable in the U.S., the civil law system is a system in which previous legal decisions have little precedential value. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and

regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Our PRC subsidiary, CASIX, is a wholly foreign-owned enterprise and is subject to laws and regulations applicable to foreign investment in the PRC in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. The PRC has made significant progress in the promulgation of laws and regulations pertaining to economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, the promulgation of new laws, changes of existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects. In addition, as these laws, regulations and legal requirements are relatively recent and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, regulations and legal requirements involve significant uncertainties. Laws may be changed with little or no prior notice, for political or other reasons. These uncertainties could limit the legal protections available to foreign investors. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

Fluctuations in foreign currency exchange rates could increase our operating costs.

Our manufacturing operations are located in lower-cost regions of the world, including Thailand and the PRC. However, most of our purchase and sale transactions are denominated in U.S. dollars. As a result, we are exposed to fluctuations in the functional currencies of our fixed cost overhead or our supply base relative to the currencies in which we conduct transactions.

Currency exchange rates fluctuate on a daily basis as a result of a number of factors, including changes in a country's political and economic policies. Volatility in the functional and non-functional currencies of our entities and the U.S. dollar could seriously harm our business, financial condition and operating results. The primary impact of currency exchange fluctuations is on our cash, receivables and payables of our operating entities. We may experience significant unexpected expenses from fluctuations in exchange rates.

Because our customer contracts generally provide that our customers will pay us in U.S. dollars, we have significant currency rate exposure to changes in the exchange rate between the Thai baht and the U.S. dollar. The majority of our revenues are received in U.S. dollars. The majority of our payroll and other operating expenses are paid in Thai baht. As a result of these arrangements, our operating results are adversely impacted when the U.S. dollar depreciates relative to other currencies, particularly the Thai baht. We have experienced such depreciation in the dollar as compared to the Thai baht, and our results have been adversely impacted by this fluctuation in exchange rates. In particular, from July 31, 2001 to July 31, 2007, the U.S. dollar lost approximately one-third of its value against the Thai baht. We cannot guarantee that the depreciation of the dollar against the Thai baht will not worsen. Further, while we attempt to hedge against certain exchange rate risks, we typically enter into hedging contracts of one to two month durations, leaving us exposed to longer term changes in exchange rates.

Also, we have significant currency rate exposure to changes in the exchange rate between the RMB and the U.S. dollar. The expenses of CASIX, our PRC subsidiary, are denominated in RMB. Currently, RMB are convertible under current accounts, including trade- and service-related foreign exchange transactions, foreign debt service and payment of dividends. The PRC government may at its discretion, restrict access in the future to foreign currencies for current account transactions. If this occurs, CASIX may not be able to pay us dividends in U.S. dollars without prior approval from the PRC State Administration of Foreign Exchange. In addition, conversion of RMB for most capital account items, including direct investments, is still subject to government approval in the PRC. This restriction may limit our ability to invest earnings of CASIX.

The value of the RMB is subject to changes in the PRC government's policies and depends to a large extent upon the PRC's domestic and international economic, financial and political developments, as well as the currency's supply and demand in the local market. The official exchange rate for the conversion of RMB into U.S. dollars remained stable for a decade, until the RMB was revalued in July 2005 and permitted to fluctuate within a band against a basket of foreign currencies. As a result, as of September 30, 2007, the RMB had appreciated

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approximately 10.2% against the U.S. dollar since July 1, 2005. There remains significant international pressure on the PRC government to adopt a substantially more liberalized currency policy. Any further and more significant appreciation in the value of the RMB against the U.S. dollar could negatively impact our operating results.

We face significant competition in some sectors of our business, which could harm our business, financial condition and operating results.

Our current and prospective customers tend to evaluate our capabilities against the merits of internal manufacturing, and these internal manufacturing capabilities are our primary competition. Competition with the internal manufacturing units of our customers is particularly strong when our customers have excess manufacturing capacity, as was the case when the markets that we serve experienced a downturn from 2001 through 2004. That downturn resulted in underutilized capacity and substantial pricing pressures, which harmed our operating results during these periods. Many of our potential customers continue to have excess manufacturing capacity at their facilities. Some sectors of our business have experienced increased price competition as a result, and if we continue to experience such increased level of competition in the future, our total revenues and gross margins may be harmed. Should our customers choose to manufacture products internally rather than to outsource production to us, or to shift production that we perform for them to their own facilities, our business, financial condition and operating results could be harmed.

Competitors in the markets for optics manufacturing include MMI Holdings Limited, Oplink Communications, SAE Magnetics (H.K.) Ltd. and Venture Corporation Limited. Our bulk optical materials and components production operations face competition from companies such as Alps Electric Co., Ltd., Browave Corporation, Fujian Castech Crystals, Inc. and Photop Technologies, Inc. Larger existing contract manufacturing companies, original design manufacturers or outsourced semiconductor assembly and test companies could also enter our target markets, although currently most of these companies typically tend to focus on less specialized, printed circuit board assembly, system assembly and packaging activities and do not possess complex optical and electro-mechanical process technologies. In addition, we may face additional competitors as we attempt to penetrate new markets.

Many of our customers and potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater managerial, manufacturing, engineering, financial, technical, sales and marketing resources than we do. These advantages may allow them to adopt our business model and devote greater resources than we are able to devote to the development and promotion of service offerings which are similar to or better than our service offerings. These competitors may also engage in more extensive research and development, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies, offer services that achieve greater market acceptance than ours, rely on superior brand or name recognition or combine or merge to form larger companies. These competitors may also undercut us by making more attractive offers to our existing and potential employees, suppliers and strategic partners. Further, consolidation in the optics market and the sensors market has resulted in a continually changing competitive landscape. The consolidation trend in those markets could result in larger and more geographically diverse competitors who have significant combined resources with which to compete against us. New and increased competition could result in price reductions for our services, reduced margins or loss of market share, any of which could harm our business, financial condition and operating results.

Competition has caused and may continue to cause excessive pricing pressures, increased working capital requirements, reduced profits or loss of market share (from both program and customer disengagements), any of which could harm our business, financial condition and operating results. In addition, the markets that we serve have excess manufacturing capacity and have seen increased competition from other Asian competitors. This has exerted and will continue to exert additional pressures on pricing for components and services, thereby increasing the competitive pressures in our industry. We may not be able to compete successfully against our current and future competitors, and the competitive pressures we face may harm our business, financial condition and operating results.

We could be adversely affected as a result of conflicts of interest arising from perceived confidentiality concerns relating to some of our customer relationships.

JDS Uniphase, or JDSU, one of our largest customers, is a significant shareholder and until recently appointed a member of our board of directors pursuant to a contractual arrangement. JDSU owned approximately 6.5% of our outstanding ordinary shares (fully diluted) as of September 30, 2007. Another of our directors is a director and major shareholder of Finisar, one of our largest customers. As a customer, JDSU accounted for approximately 26%, 28% and 35% of our total revenues for the fiscal years ended June 30, 2007, 2006 and 2005, respectively, and Finisar accounted for approximately 15%, 18% and 25% of our total revenues for the fiscal years ended June 30, 2007, 2006 and 2005, respectively. These relationships could result in conflicts of interest between JDSU and Finisar, on the one hand, and us, on the other hand. These relationships could also impede our business development if we are unable to increase our prices or margins during negotiations. As a result of the involvement of Finisar's and JDSU's affiliates on our board of directors, Finisar or JDSU may have obtained, and Finisar may obtain in the future, confidential information about us that could harm our ability to negotiate favorable terms or expand our business opportunities. Our existing and potential customers may also view our current and past relationships with JDSU, Finisar and their affiliates as likely to adversely affect the protection of their confidential information, and, as a result, may choose to use one of our competitors for their production or perform that production internally.

We may encounter difficulties completing or integrating acquisitions or production wind-down and transfer agreements that we may pursue in the future, which could harm our business, financial condition and operating results.

We entered into production wind-down and transfer agreements in December 2004, May 2005 and February 2006, wound down the affected operations and transferred the operations to our Thailand facilities. We enter into these agreements because we believe that providing the production transfer services facilitates a more efficient transfer for us and eases the requirements of our customers during the transfer of their production to our Thailand facilities. We have and expect to continue grow our business through acquisitions and production wind-down and transfer agreements. Competition for these types of transactions may increase in the future. On an ongoing basis, revenues from these transactions have contributed to a significant portion of our revenue growth, and if we fail to complete similar transactions in the future, our revenue growth could be harmed. These types of transactions may require significant working capital, typically entail many risks, could result in difficulties in assimilating and integrating the operations, personnel, technologies, products and information systems of acquired companies or divisions and may adversely impact our results. The agreements entered into with divesting customers typically involve many risks, including the following:

- we may need to purchase, or assume obligations of, a divesting customer that exceed the value we ultimately may realize from the future business of the customer;
- the integration of the acquired assets and facilities into our business may be difficult, time-consuming and costly, and may adversely impact our profitability;
- we may be unable to meet the expectations of the customer as to volume, product quality, timeliness and cost reductions;
- if demand for our customer's products declines, our customer may reduce its volume of purchases, and we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other customers;
- our management's attention and company resources may be diverted from the normal daily operations of our business;
- we may experience difficulty maintaining customer, supplier or other favorable business relationships of acquired operations and restructuring or terminating unfavorable relationships;
- we may receive insufficient total revenues to offset increased expenses associated with acquisitions and other strategic transactions;

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- we may lose key employees of the acquired companies or divisions; and
- we may not achieve anticipated business volumes.

Acquisitions and other strategic transactions may also cause us to:

- issue ordinary shares that would dilute our current shareholders' percentage ownership in us;
- incur indebtedness to pay applicable purchase prices;
- assume liabilities, some of which may be unknown as of the time of such acquisitions or other transactions;
- record goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential periodic impairment charges;
- incur amortization expenses related to certain intangible assets;
- devote excessive resources to transactions that may not yield anticipated benefits;
- incur greater than expected expenses or lower than expected revenues due to delays in transfer of production and qualifications;
- assume obligations with respect to regulatory requirements, including environmental regulations, which may prove more burdensome than expected;
- incur large and immediate write-offs of in-process research and development costs; or
- become subject to litigation.

If we acquire research operations, expenses relating to acquired in-process research and development costs will be charged in the period in which an acquisition is completed. These charges may occur in future acquisitions and result in variability in our quarterly earnings. Further, acquisitions of other companies or divisions of other companies are inherently risky, and we can provide no assurance that our previous or future acquisitions will be successful or will not harm our business, financial condition and operating results.

As a result of these and other risks, we have been, and in the future may be, unable to achieve anticipated levels of profitability under these arrangements. In addition, some of these strategic arrangements in the future may not result in any material revenues or contribute positively to our earnings per share.

If we or our customers are unable to respond successfully to technological or industry developments, our business, financial condition and operating results may be harmed.

The optics market and the sensors market are characterized by rapid advancements in technology, evolving industry standards and changes in customer needs. New services or technologies may render our existing services or technologies less competitive or obsolete. Responding and adapting to technological developments and standard changes in our industry, including integrating new technologies or industry standards or upgrading our components, modules and subsystems, may require substantial time, effort and capital investment. Our business, financial condition and operating results could be harmed if we are unable to respond successfully to technological or industry developments. Further, even if we are able to respond to technological developments, if our customers are unable to respond successfully to those developments, it could harm our business, financial condition and operating results.

We may experience manufacturing yields that may be low or lower than expected, potentially resulting in contractual liabilities and an inefficient allocation of our resources.

Manufacturing yields depend on a number of factors, including the following:

- the quality of input, materials and equipment;
- the quality and feasibility of our customer's design;
- the repeatability and complexity of the manufacturing process;

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- the experience of our manufacturing team;
- the quality and level of training of the engineering support;
- the quality and overall training of our entire team; and
- the monitoring of the manufacturing environment.

Higher volume production due to demand for a fixed, rather than continually changing, design generally results in higher manufacturing yields, whereas lower volume production, such as our typical production, generally results in lower yields. Changes in manufacturing processes required as a result of changes in product specifications, changing customer needs and the introduction of new product lines have historically caused, and may in the future cause, significantly reduced manufacturing yields, resulting in low or negative margins on those products. Moreover, an increase in the rejection rate of products during the quality control process either before, during or after manufacture, results in lower yields and margins. Low manufacturing yields could also subject us to liabilities under our customer contracts and cause us to lose significant time and resources invested in the manufacture of defective products. Finally, manufacturing yields and margins can also be lower if we receive or inadvertently use defective or contaminated materials from our suppliers.

If our suppliers are unable to obtain adequate yields on the materials and components that they supply to us, we may be unable to meet the production requirements of our customers, which may harm our business, financial condition and operating results and damage our relationships with our customers.

We have often experienced and expect in the future to experience situations in which our suppliers are unable to obtain adequate yields on the materials and components that they supply to us. In the event that such yield problems arise, we may be unable to obtain adequate supplies from that particular supplier, or from other current or new suppliers, to allow us to meet the production requirements of our customers. If we are unable to meet the production requirements of a customer, we may be subject to contractual penalties under the applicable supply contract or purchase order. Even if we are able to find alternate sources of materials or components to replace the supplies lost as a result of yield problems, the alternative supplies may not be available on commercially reasonable terms. Our suppliers' yield problems may harm our business, financial condition and operating results and damage our relationships with our customers.

The efficiency of our operations could be harmed by any delay in delivery from our transportation suppliers, including delays caused by work stoppages and natural disasters.

We rely on numerous common carriers for materials and product transportation including routing through various international ports. A work stoppage, strike or shutdown of any important supplier's facility, or at any major port or airport, could result in manufacturing and shipping delays or expediting charges, all of which could harm our business, financial condition and operating results. Natural disasters such as tsunamis and earthquakes in the regions where our facilities or our suppliers' facilities are located, could have an adverse impact on our ability to deliver products to our customers. Such events could disrupt our and our customers' supply and as a result, harm our operations.

We may be subject to penalties in the event that we do not comply with the terms of our contracts with our customers.

In certain instances, we may not perform our obligations under our customer contracts. Our customer contracts typically provide that we will supply for a fixed price a set number of products that exceed certain quality metrics. If we do not meet the expected yield necessary to profitably perform under our contracts, our revenues may be harmed. In addition, if we do not perform all of our obligations under our customer contracts, even if such failure to perform is triggered by circumstances beyond our control, we may be required to pay certain penalties to the counterparties in the event that our components, modules, subsystems and sensors do not meet the end-customer's testing requirements or otherwise fail.

If our foundry services or components contain defects, demand for our services may decline and we may be exposed to product liability and product warranty claims. In addition, if the number or type of defects exceeds certain percentage limitations contained in our contractual arrangements, an endemic condition may be deemed to exist and, as a result, we may be required to conduct extensive failure analysis, re-qualify for production or cease production of applicable products.

We manufacture and design products to our customers' specifications, and, in some cases, our manufacturing processes and facilities may need to comply with applicable statutory and regulatory requirements. In addition, our customers' products and the manufacturing processes that we use to produce them are often complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing process may be subject to errors or fail to be in compliance with applicable statutory or regulatory requirements. We generally provide a one to five year warranty on the products that we manufacture. This warranty typically excludes design defects. Defects in the products we manufacture, whether caused by a design, engineering, manufacturing or component failure or by deficiencies in our manufacturing processes, could result in product or component failures, which may damage our business reputation. Further, due to the difficulty in determining whether a given defect resulted from our customer's design of the product or our manufacturing process, we may be exposed to product liability or product warranty claims arising out of defects which are not our fault. In addition, if the number or type of defects exceeds certain percentage limitations contained in our contractual arrangements, an endemic condition may be deemed to exist and, as a result, we may be required to conduct extensive failure analysis, re-qualify for production or cease production of applicable products.

Product liability claims may include liability for personal injury or property damage. Product warranty claims may include liability to pay for the recall, repair or replacement of a product or component. Although we generally allocate liability for these claims in our contracts to our customers, even where we have allocated liability to our customers, our customers may not, or may not have the resources to, satisfy claims for costs or liabilities arising from a defective product or component for which they have assumed responsibility.

If we design, engineer or manufacture a product or component that is found to cause any personal injury or property damage or is otherwise found to be defective, we could spend a significant amount of money seeking to resolve the claim. In addition, product liability and product recall insurance coverage are expensive and may not be available with respect to all our services offerings on acceptable terms, in sufficient amounts, or at all. While we maintain insurance for certain product liability claims, we do not maintain insurance for any recalls and, hence, we would be required to pay any associated costs which are determined to be our responsibility. A successful product liability or product warranty claim in excess of our insurance coverage or any material claim for which insurance coverage is denied, limited, is not available or has not been obtained could harm our business, financial condition and operating results.

Defective products could cause us to incur significant correction costs, subject us to litigation or damage our reputation.

The products that we manufacture are tested for quality both by our customers and by us. Nevertheless, certain of these products may fail to, and may in the future fail to, meet customer expectations. Additionally, not all defects are immediately detectible. The testing procedures of our customers are generally limited to the evaluation of the products that we manufacture under likely and foreseeable failure scenarios. For various reasons (including, among others, the occurrence of performance problems that are unforeseeable in testing or that are detected only when products are fully deployed and operated under peak stress conditions), these products may fail to perform as expected at a time long after their initial acceptance by our customer. We could incur significant costs to repair or replace defective products under warranty, particularly when such failures occur in installed systems. In particular, certain of the products that we manufacture often have an expected lifespan of approximately 20 to 25 years. When the products that we manufacture are deployed in this manner, those products must perform for a substantial length of time in a challenging environment. We have experienced such failures in the past and remain exposed to such failures, as the products that we manufacture are widely

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deployed throughout the world in multiple demanding environments and applications. Any significant product failure could result in customer relations problems, litigation and damage to our reputation.

Intellectual property infringement claims against our customers or us could harm our business, financial condition and operating results.

Our design and manufacturing services and components offerings involve the creation and use of intellectual property rights which subject us to the risk of intellectual property infringement claims from third parties and claims arising from the allocation of intellectual property rights among us and our customers. In addition, our customers may require that we indemnify them against the risk of intellectual property infringement arising out of our manufacturing processes. If any claims are brought against us or our customers for such infringement, whether or not these claims have merit, we could be required to expend significant resources in defense of such claims. In the event of such an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all.

Any failure to protect our customers' intellectual property that we use in the components we manufacture for our customers could harm our customer relationships and subject us to liability.

We focus on manufacturing complex components for our customers. These components often contain our customers' intellectual property, including trade secrets and know-how. Our success depends, in part, on our ability to protect our customers' intellectual property. We utilize a factory-within-a-factory approach, maintaining separate and secure areas for customer proprietary manufacturing processes and materials, and we dedicate floor space, equipment, engineers and supply chain management to protect our customers' proprietary drawings, materials and products. The steps we take to protect our customers' intellectual property may not adequately prevent its disclosure or misappropriation. If we fail to protect our customers' intellectual property, our customer relationships could be harmed and we may experience difficulty in establishing new customer relationships. In addition, our customers might pursue legal claims against us for any failure to protect their intellectual property, possibly resulting in harm to our reputation and our business, financial condition and operating results.

If we have insufficient intellectual property rights or know-how or if we fail to protect those we have, our business, financial condition and operating results could be harmed.

Our future depends in part upon our intellectual property, including trade secrets, know-how and continuing technological innovation. The steps we take to protect our intellectual property may not adequately prevent misappropriation or ensure that others will not develop competitive technologies or products. In many instances, we do not obtain patents for our processes and process improvements, and typically any improvements that we make on behalf of a particular customer are perpetually and exclusively licensed to that customer. Other companies may be investigating or developing other technologies that are similar to our technologies. It is possible that patents may not be issued from any application pending or filed by us and, if patents do issue, the claims allowed may not be sufficiently broad to deter or prohibit others from marketing similar processes. Any patents issued to us may be challenged, invalidated or circumvented. Further, the rights under our patents may not provide a competitive advantage to us. In addition, the laws of some countries, including the Asia-Pacific nations, may not protect our intellectual property rights to the same extent as the laws of the U.S. Accordingly, insufficient intellectual property rights or know-how could harm our business, financial condition and operating results.

If we are unable to meet regulatory quality standards applicable to our manufacturing and quality processes for the components, modules and subsystems that we manufacture, our business, financial condition or operating results could be harmed.

As a manufacturer of components, modules and subsystems for optical components, modules and subsystems, sensors, automotive devices and medical devices, we are required to meet certain certification

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standards. Those standards include the following: ISO 9001:200 for Manufacturing Quality Systems; ISO 14001 for Environmental Quality Systems; TL9000 for Telecommunications Industry Quality Certification; TS16949:2002 for Automotive Industry Quality Certification; and ISO 13485:2003 for medical devices and various additional standards imposed by the U.S. Food and Drug Administration, or FDA, with respect to the manufacture of medical devices. As a result of these requirements, we are required to register with the FDA and other regulatory bodies and are subject to periodic inspection for compliance with these requirements, which require manufacturers to adhere to certain regulations, including testing, quality control and documentation procedures. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through periodic inspections. In the European Union, we are required to maintain certain ISO certifications in order to sell our foundry services and we must undergo periodic inspections by notified bodies to obtain and maintain these certifications. If any FDA inspection reveals that we are not in compliance with applicable standards, regulators may take action against us, including issuing a warning letter, imposing fines on us, requiring a recall of the products we manufactured for our customers, or shutting-down our manufacturing facilities. If any of these actions were to occur, it could harm our reputation as well as our business, financial condition and operating results.

If we fail to attract additional skilled executives or retain key personnel, our business, financial condition and operating results could suffer, and the travel requirements placed upon our executive officers may make it more difficult for them to perform their functions effectively.

Our future success depends, in part, upon our ability to attract additional skilled employees and retain our current key personnel. We have identified several areas where we intend to expand our hiring, including hiring additional persons experienced with human resources, business development and finance. We may not be able to hire and retain such personnel at compensation levels consistent with our existing compensation and salary structure. Our future also depends on the continued contributions of our executive management team and other key management and technical personnel, each of whom would be difficult to replace. Mr. Mitchell, our chief executive officer, is important to our operations and would be difficult to replace. The loss of any of our executive officers or key personnel or the inability to continue to attract qualified personnel could harm our business, financial condition and operating results. We do not have key person life insurance or long-term employment contracts with any of our key personnel.

Further, several of our key executive officers have a primary residence in the U.S. and commute to our offices in Thailand and the PRC, often traveling between their home, these and our other offices, and other customer locations around the world multiple times each year. The travel requirements placed upon our executive officers may increase the chances that they may terminate their employment. In addition, if we permit our executive officers to work remotely from time to time as a means to retain them, thereby reducing the time that they spend in our offices, it may be more difficult for them to perform their functions effectively.

We may incur unanticipated costs and liabilities, in connection with environmental laws and regulations.

Our operations use certain substances and generate certain wastes that are regulated or may be deemed hazardous under environmental laws of the various jurisdictions where we operate our manufacturing facilities. Some of these laws impose liability for cleanup costs and damages relating to releases of hazardous substances into the environment. Future developments and increasingly stringent regulations could require us to incur additional expenditures relating to environmental matters at our facilities. Achieving and maintaining compliance with present, changing and future environmental laws could restrict our ability to modify or expand our facilities or to continue production. This compliance could also require us to acquire costly equipment or to incur other significant expenses. In the past, costs and liabilities arising under such laws have not been material. However, we are not certain that such matters will not be material to us in the future.

Certain environmental laws impose liability for the costs of removal or remediation of hazardous or toxic substances on an owner, occupier or operator of real estate, even if such person or company was unaware of, or

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not responsible for, the presence of such substances. In addition, in some countries in which we have operations, any person or company who arranges for the disposal or treatment of hazardous or toxic substances at a disposal or treatment facility may be liable for the costs of removal or remediation of such substances at such facility, whether or not the person or company owns or operates the facility.

From time to time new environmental regulations are enacted, and it is difficult to anticipate how such regulations will be implemented and enforced. We continue to evaluate the necessary steps for compliance with regulations as they are enacted. For example, in 2003, the European Union enacted Directive 2002/95/EC on the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive, or RoHS, and Directive 2002/96/EC on Waste Electrical and Electronic Equipment Directive, or WEEE, for implementation in European Union member states. RoHS and WEEE regulate the use of certain hazardous substances in, and require collection, reuse and recycling of waste from, certain products we manufacture. We are aware of similar legislation that is currently in force or is being considered in the U.S., as well as other countries, such as the PRC and Japan. RoHS and WEEE are in the process of being implemented by individual countries in the European Union. It is likely that each jurisdiction will interpret RoHS and WEEE differently as they each implement them. We will continue to monitor RoHS and WEEE guidance as it is announced by individual jurisdictions to determine our responsibilities. The incomplete guidance available to us to date suggests that in some instances we might not be directly responsible for compliance with RoHS and WEEE, but that such regulations will likely apply directly to our customers. However, because we manufacture products and may provide design and/or compliance related services for our customers, we may at times become contractually or directly subject to such regulations. Also, final guidance from individual jurisdictions may impose different or additional responsibilities upon us. Our failure to comply with any of such regulatory requirements or contractual obligations could result in our being directly or indirectly liable for costs, fines and third-party claims, and could jeopardize our ability to conduct business in countries in the European Union.

In addition, our Thailand facilities and operations are subject to a variety of environmental regulations specific to Thailand. In Thailand, the Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992), or NEQA, empowers the Thai Minister of Industry to designate point sources of air, noise and water pollution that will be required to meet emission or effluent standards created under NEQA or other laws such as The Factories Act B.E. 2535 (1992). Point sources, such as our facilities in Pinehurst and Chokchai, are required to comply with the emissions standards prescribed by the National Environment Board established under NEQA and other applicable authorities. Designated point sources must either establish their own waste treatment facilities or arrange to send their waste to central waste treatment facilities where they are charged a fee for those treatment services.

The penalty for non-compliance with NEQA's provisions is generally the cost of daily waste treatment multiplied by four, including fine and imprisonment, the latter penalty of which may also be imposed on the directors or manager if the violator is the juristic entity. Designated point sources, such as our facilities in Pinehurst and Chokchai, are required to provide monthly reports to local officials and representatives of the Pollution Control Department on the daily functioning of their treatment facilities. NEQA includes numerous, substantial liability and penalty provisions, including strict liability for any injury or damage suffered by private parties as a result of the activities of a polluter. Further, private parties who damage natural resources owned by the government are liable for the full amount of clean up costs.

We may be adversely impacted by the adoption of restrictive working capital requirements by the customers of our customers.

To the extent that manufacturing issues and any related material shortages involving our suppliers result in delayed shipments, particularly during periods when we and our suppliers are operating at higher levels of capacity, it is possible that revenues for a given quarter could be adversely affected if such matters are not remedied within the quarter. Further, our operations could be disrupted if we experience manufacturing capacity and supply constraints as a result of delayed shipments to our customers' customers.

We face litigation risks that could harm our business, financial condition and operating results.

Substantial litigation exists in the optics market and the sensors market. Any litigation, whether brought by us or by others, could result in the expenditure of significant financial resources and the diversion of our management's time and efforts. If any litigation brought against us in the future were not to be resolved in our favor, we could become subject to substantial damage claims or awards or be enjoined from the continued use of the technology at issue without a royalty or license agreement. Such royalty or license agreements, if required, might not be available on acceptable terms, or at all. If a successful claim of infringement were made against us and we could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, our business, financial condition and operating results could be harmed.

Epidemics, natural disasters, acts of terrorism and other political and economic developments could harm our business, financial condition and operating results.

Epidemics and other natural disasters could harm our business, financial condition and operating results. In some countries in which we operate, including the PRC and Thailand, potential outbreaks of severe acute respiratory syndrome or bird flu could disrupt our manufacturing operations, reduce demand for our customers' products and increase our supply chain costs. Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and continued economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations, the operations of our customers and the operations of our suppliers, and may affect the availability of materials needed for our foundry services or the means to transport those materials to manufacturing facilities and to transport finished products to customers. These events have had, and may continue to have, an adverse impact on the U.S. and world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility of the U.S. and world financial markets also could increase the volatility of the market price of our ordinary shares and may limit the capital resources available to us, our customers and our suppliers.

If we fail to develop and maintain an effective system of internal controls or comply with the requirements of Section 404 of the Sarbanes-Oxley Act, we may not be able to accurately report our financial results or prevent fraud. As a result, our shareholders could lose confidence in our financial reporting, which would harm our business and the market price of our ordinary shares.

U.S. securities laws require, among other things, that public companies maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, as a public company we will be required to perform system and process evaluation and testing of our internal control over financial reporting to allow our management to assess annually the effectiveness of our internal control over financial reporting and to enable our independent registered public accounting firm to issue a report on the assessment of our controls, as required by Section 404 of the Sarbanes-Oxley Act beginning with our annual report on Form 10-K for the fiscal year ending June 30, 2009. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Moreover, if we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our ordinary shares could decline and we could be subject to potential delisting by the New York Stock Exchange and review by the New York Stock Exchange, the SEC, or other regulatory authorities, which would require the expenditure by us of additional financial and management resources.

Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors or fraud, or in informing management of all material information in a timely manner.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and internal controls and procedures will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system reflects that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been, or will be, detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur simply because of error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions, or the degree of compliance with policies and procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected by us.

We are subject to the risk of increased income taxes.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by tax authorities and to possible changes in law, which may have retroactive effect. We were formed in the Cayman Islands and we maintain manufacturing operations in Thailand, China and the U.S. Any of these jurisdictions could assert tax claims against us. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes. In particular, CASIX is located in the Fuzhou special economic zone in the PRC, where the prevailing income tax rate is 24%. CASIX currently qualifies as a foreign investment production enterprise and, therefore, presently pay taxes at a rate of 12%. However, during fiscal 2007, the PRC adopted a new Unified Enterprise Income Tax Law which will take effect on January 1, 2008. Pursuant to the law, a new 25% statutory rate will apply to most companies beginning January 1, 2008, subject to certain transitional rules and other potential special incentives which have not yet been announced officially. CASIX may qualify for treatment as a high technology enterprise or may receive additional benefits for its location in a special economic zone, though there can be no assurance that we will so qualify. There is also a risk that Thailand may begin to treat our Cayman Islands parent as a permanent establishment and tax both its income and the income of our Thai subsidiary, rather than taxing solely the income of our Thai subsidiary. If we became subject to the 25% tax in the PRC or Thailand began to treat our Cayman Islands parent as a permanent establishment, such tax treatment could materially and adversely affect our business, financial condition and results of operations.

Certain of our subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, us and other subsidiaries in different jurisdictions. For instance, we have inter-company agreements in place which provide for our California subsidiary to provide administrative services for our Cayman Islands parent, and our Cayman Islands parent also entered into manufacturing agreements with our Thai subsidiary. In general, related party transactions and, in particular, related party financing transactions, are subject to close review by tax authorities. Moreover, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles, and that contemporaneous documentation must exist to support such pricing.

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International tax authorities could challenge the validity of our related party financing and related party transfer pricing policies. Such a challenge generally involves a subjective area of taxation and a significant degree of judgment. If any taxation authorities are successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could become subject to interest and penalty charges, which may harm our business, financial condition and operating results.

We may become a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors.

Based upon the value of our assets as determined by reference to the expected initial public offering price of our ordinary shares and our expected use of the proceeds of this offering, we do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the taxable year 2007 or for the foreseeable future. However, despite our expectation, we cannot assure you that we will not be a PFIC for the taxable year 2007 or any future year as our PFIC status is determined at the end of each year and it depends on the composition of our income and assets in such year. If we are a PFIC, our U.S. investors will be subject to increased tax liabilities under U.S. tax laws and regulations and will be subject to burdensome reporting requirements. See “Taxation—U.S. Federal Income Taxation” for a more detailed description of the PFIC rules.

We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our shareholders.

We anticipate that the net proceeds of this offering, together with current cash, cash equivalents, cash provided by operating activities and funds available through our working capital line of credit, will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. We operate in a market, however, that makes our prospects difficult to evaluate. It is possible that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs. If this occurs, we may need additional financing to execute on our current or future business strategies, including to:

- acquire complementary businesses or technologies;
- enhance our operating infrastructure;
- hire additional technical and other personnel; or
- otherwise respond to competitive pressures.

Furthermore, if we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing shareholders, including those acquiring shares in this offering. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, if and when needed, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our foundry services, or otherwise respond to competitive pressures could be significantly limited.

We are controlled by a small group of our existing shareholders, whose interests may differ from the interests of our other shareholders.

As of September 30, 2007, our existing shareholders Asia Pacific Growth Fund III, L.P., an affiliate of H&Q Asia Pacific, JDSU, J.F. Shea Co. Inc. and our chief executive officer and chairman, David T. Mitchell, and his affiliates, beneficially owned, collectively, approximately 94.6% of our outstanding ordinary shares. Following this offering, Asia Pacific Growth Fund III, L.P. and Mr. Mitchell are together expected to have three representatives on our board of directors. Further, Asia Pacific Growth Fund III, L.P. and Mr. Mitchell are expected to beneficially own, collectively, approximately []% of our outstanding ordinary shares, or []% of our outstanding ordinary

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shares if the underwriters exercise their over-allotment option to purchase additional ordinary shares in full. Accordingly, they have had, and will continue to have, significant influence in determining the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. They will also have the power to prevent or cause a change in control. In addition, without the consent of these shareholders, we could be prevented from entering into transactions that could be beneficial to us. The interests of these shareholders may differ from the interests of our other shareholders.

Certain of our credit agreements contain restrictive covenants that may impair our ability to conduct our business.

Certain of our outstanding credit agreements contain financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other things, these covenants require us to maintain certain financial ratios restrict our ability and our subsidiaries' ability to incur additional debt, create liens or other encumbrances, change the nature of our business, pay dividends, sell or otherwise dispose of assets, and merge or consolidate with other entities. Additionally, certain credit agreements provide that if Mr. Mitchell's duties either for us or our subsidiaries are reduced or terminated, or if he ceases to hold a certain minimum percentage of our outstanding ordinary shares, we will be in breach of the applicable credit agreement. In the past, we have breached these covenants and have obtained waivers for, among other things, the breach of a covenant relating to the mortgaging of certain assets under a separate lending agreement, failing to obtain an annual reassessment of the valuation of certain collateral assets, failing to open a separate debt service reserve account to fund required principal and interest payments and the breach of certain financial ratios. The respective creditors have also agreed to amend certain of the financial ratios and restrictive covenants. Any failure by us or our subsidiaries to comply with these agreements could harm our business, financial condition and operating results.

Our failure to adequately manage our growth and expansion could adversely impact our ability to effectively operate our business, accurately report our financial results as a public company and attract and train our employees and management, which could harm our business, financial condition and operating results.

Our operations have grown rapidly, particularly in recent years. We have completed strategic transactions which have in many cases increased our productivity and the number of people that we employ. Our growth has resulted, and future growth could continue to result, in substantial demands being placed on our operational and administrative systems, financial and management controls and resources, our management and employee training capabilities. Any failure in these areas could harm our ability to effectively operate our business, accurately report our financial results as a public company and attract and train our employees and management, all of which could harm our business, financial condition and operating results.

Risks Related To This Offering

An active trading market for our ordinary shares may not develop and the market price for our ordinary shares may fluctuate significantly.

Prior to this offering, there has been no public market for our ordinary shares. If an active public market for our ordinary shares does not develop after this offering, the market price and liquidity of our ordinary shares may be adversely affected. Although we have applied to the New York Stock Exchange for listing of our ordinary shares under the symbol FN, we can provide no assurances that a liquid public market for our ordinary shares will develop. The initial public offering price for our ordinary shares will be determined by negotiations between us and the underwriters based upon several factors, and we can provide no assurance that the price at which the ordinary shares trades after this offering will not decline below the initial public offering price. As a result, investors in our ordinary shares may experience a decrease in the value of their ordinary shares regardless of our operating performance or prospects. In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted securities class action litigation against that company. If we were involved in a class action suit, it could divert the attention of senior management and, if adversely determined against us, could harm our business, financial condition and operating results.

Stock prices of technology, communications, sensor and manufacturing services companies have fluctuated widely in recent years, and the market price of our ordinary shares is likely to be volatile, which could result in substantial losses to investors.

The market price of our ordinary shares is likely to be volatile and could fluctuate widely in response to factors beyond our control. In particular, the market prices for shares of technology-related companies often reach levels that bear no established relationship to the past operating performance of these companies. Historically, the market prices of the securities of technology, communications, sensor and manufacturing services companies have been especially volatile. These broad market and industry factors may significantly affect the market price of our ordinary shares regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our ordinary shares may be highly volatile for specific business reasons. Factors such as variations in our total revenues, earnings and cash flow, announcements of new investments or acquisitions, changes in our pricing practices or those of our competitors, commencement or outcome of litigation, sales of ordinary shares by us or our principal shareholders, fluctuations in market prices for our services and general market conditions could cause the market price for our ordinary shares to change substantially. Any of these factors may result in large and sudden changes in the volume and price at which our ordinary shares will trade. We cannot give any assurance that these factors will not occur in the future.

The sale or availability for sale of substantial amounts of our ordinary shares could adversely affect their market price.

Sales of substantial amounts of ordinary shares in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ordinary shares and impair our ability to raise capital through offerings of our ordinary shares.

Based on the number of ordinary shares outstanding as of September 30, 2007, there will be [] ordinary shares outstanding immediately after this offering. In addition, as of September 30, 2007, there were outstanding (i) options to purchase 1,717,800 ordinary shares, 1,222,947 of which were vested and exercisable, and (ii) outstanding warrants to purchase 97,175 ordinary shares. All of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless held by our "affiliates" as that term is defined in Rule 144 under the Securities Act. The 29,795,139 ordinary shares outstanding as of September 30, 2007 are "restricted securities" as defined in Rule 144 and may not be sold in the absence of registration other than in accordance with Rule 144 under the Securities Act or another exemption from registration.

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In connection with this offering, we, our directors, our executive officers, and certain of our shareholders have agreed not to sell any ordinary shares for 180 days after the date of this prospectus without the written consent of the underwriters. However, the underwriters may release these securities from these restrictions at any time without notice. We cannot predict what effect, if any, market sales of securities held by our shareholders or the availability of these securities for future sale will have on the market price of our ordinary shares.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we will incur legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, impose additional requirements on public companies, including requiring changes in corporate governance practices. For example, the listing requirements of the New York Stock Exchange require that we satisfy certain corporate governance requirements relating to independent directors, audit committees, distribution of annual and interim reports, shareholder meetings, shareholder approvals, solicitation of proxies, conflicts of interest, shareholder voting rights and codes of conduct. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, in order to comply with Section 404 of the Sarbanes-Oxley Act, we will incur substantial accounting expense and expend significant management time on compliance-related issues. In addition, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantial additional costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

If you purchase ordinary shares in this offering, you will pay more for your ordinary shares than the amount paid by existing shareholders for their ordinary shares. As a result, you will experience immediate and substantial dilution of approximately \$[] per ordinary share (assuming no exercise of outstanding options or warrants to acquire ordinary shares), representing the difference between the net tangible book value per share of our ordinary shares as of September 30, 2007 (after giving effect to this offering) and the assumed initial public offering price per share of \$[] (the mid-point of the estimated offering price range set forth on the front cover page of this prospectus). In addition, you will experience further dilution to the extent that our ordinary shares are issued upon the exercise of stock options and warrants. Substantially all of our ordinary shares issuable upon the exercise of currently outstanding stock options and warrants will be issued at a purchase price that is less than the initial public offering price per share in this offering. See “Dilution” for a more complete description of how the value of your investment in our ordinary shares will be diluted upon the completion of this offering.

If securities or industry analysts do not publish research or publish misleading or unfavorable research about our business, the market price and trading volume of our ordinary shares could decline.

The trading market for our ordinary shares depends in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. Further, foreign companies like us often receive less research coverage than domestic companies. If no or few securities or industry analysts commence coverage of us, the market price for our ordinary shares would be adversely impacted. In the event we obtain securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our ordinary shares or publishes misleading or unfavorable research about our business, our market price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our ordinary shares could decrease, which could cause our market price or trading volume to decline.

Certain provisions in our constitutional documents may discourage our acquisition by a third party, which could limit your opportunity to sell your shares at a premium.

Our constitutional documents include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change-of-control transactions, including, among other things, the following:

- provisions establishing a classified board of our directors;
- provisions that restrict the ability of our shareholders to call meetings and limit the ability of our shareholders to propose actions at duly convened meetings; and
- provisions that authorize our board of directors, without action by our shareholders, to issue preferred shares and additional ordinary shares.

These provisions could have the effect of depriving you of an opportunity to sell your ordinary shares at a premium over prevailing market prices by discouraging third parties from seeking to acquire control of us in a tender offer or similar transactions.

Our shareholders may face difficulties in protecting their interests because we are organized under Cayman Islands law.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Law (as amended) of the Cayman Islands, or the Companies Law, and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under law applicable in the Cayman Islands are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the U.S. Therefore, you may have more difficulty in protecting your interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the U.S., due to the comparatively less developed nature of Cayman Islands law in this area.

Unlike many jurisdictions in the U.S., Cayman Islands law does not specifically provide for shareholder appraisal rights on a merger or consolidation of a company. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies such as us have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of our shareholders. Our directors have discretion under our amended and restated memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors. Our Cayman Islands counsel has advised us that they are not aware of any reported class action or derivative action having been brought in a Cayman Islands court.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of the U.S. In addition, many of our directors and officers are nationals and residents of countries other than the U.S. A substantial portion of the assets of these persons is located outside the U.S. As a result, it may be difficult to effect service of process within the U.S. upon these persons. It may also be difficult to enforce in U.S. courts

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judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors who are not resident in the U.S. and the substantial majority of whose assets are located outside of the U.S. In addition, there is uncertainty as to whether the courts of the Cayman Islands, Thailand or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the U.S. or any state. In addition, there is uncertainty as to whether such Cayman Islands, Thai or PRC courts would be competent to hear original actions brought in the Cayman Islands, Thailand or the PRC against us or such persons predicated upon the securities laws of the U.S. or any state.

We have not determined a specific use for the net proceeds of this offering and we may use these proceeds in ways with which you may not agree.

We have not determined a specific use for the net proceeds of this offering. Our management will have considerable discretion in the application of the net proceeds we receive. You will not have the opportunity, as part of your investment decision, to assess whether the net proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds may be used for corporate purposes that do not improve our profitability or increase our ordinary shares' price. Further, net proceeds may be used to pursue various acquisitions or other strategic transactions which may prove unsuccessful and cause the market price of our ordinary shares to decline. The net proceeds of this offering may also be placed in investments that do not produce income or that lose value.

We have never paid cash dividends, do not anticipate paying any cash dividends on our ordinary shares in the future and are prevented from paying dividends under certain of our credit agreements.

We currently intend to retain any earnings to finance our operations and growth. Further, we are party to a number of contracts that prevent us from paying dividends unless we receive consent or a waiver of the counterparty. Because we have never paid cash dividends, do not anticipate paying any cash dividends on our ordinary shares, and are prevented from paying dividends under certain of our credit agreements, any short-term return on your investment will depend on the market price of our ordinary shares.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. The forward-looking statements are contained principally in, but not limited to, the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our goals and strategies;
- our and our customers' estimates regarding future revenues, results of operations, expenses, capital requirements, liquidity and our needs for additional financing;
- our future capital expenditures;
- expansion of our manufacturing capacity;
- the growth rate of our existing markets and potential new markets;
- our and our customers' ability to respond successfully to technological or industry developments;
- our ability to increase our penetration of existing markets and penetrate new markets such as the sensors market;
- our plans to diversify our sources of revenues;
- our use of proceeds of this offering;
- trends in the optical equipment market and the sensors market, including trends to outsource the production of components used in those markets;
- our ability to attract and retain a qualified management team and other qualified personnel and advisors; and
- competition in our existing and new markets.

In some cases, you can identify forward-looking statements by terms such as "may," "could," "will," "should," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "project" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the heading "Risk Factors" and elsewhere in this prospectus. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

This prospectus also contains data related to the optics market and the sensors market. These market data include projections that are based on a number of assumptions. The markets may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our ordinary shares. In addition, the changing nature of both the optics market and the sensors market subjects any projections or estimates relating to the growth prospects or future condition of these markets to significant uncertainties. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$[] million after deducting underwriting discounts and the estimated offering expenses payable by us and based upon an assumed initial offering price of \$[] per ordinary share (the mid-point of the estimated public offering price range shown on the front cover of this prospectus). We will not receive any proceeds from the sale of shares by the selling shareholders.

As of the date of this prospectus, we have not allocated any specific portion of the net proceeds of this offering for any particular purpose. We anticipate using the net proceeds of this offering for general corporate purposes, including for working capital and capital expenditures for expansion of capacity as well as potential acquisitions of complementary businesses, technologies or other assets.

For a discussion of our strategies and business plan, see “Business—Our Growth Strategy.” We do not currently have any agreements or understandings to make any material acquisitions of, or investments in, other businesses.

In utilizing the proceeds of this offering, we may make loans to our subsidiaries or we may make additional capital contributions to these entities.

The foregoing represents our current intentions with respect to the use of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds of this offering. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of this offering in a manner other than as described in this prospectus.

Pending use of the net proceeds, we intend to invest our net proceeds in short-term, interest bearing, debt instruments or bank deposits. These investments may have a material adverse effect on the U.S. federal income tax consequences of your investment in our ordinary shares. It is possible that we may become a passive foreign investment company for U.S. federal income tax purposes, which could result in negative tax consequences for you. These consequences are described in more detail in “Risk Factors—Risks Related to Our Business—We may become a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors” and “Taxation—U.S. Federal Income Taxation—U.S. Holders—Status as a PFIC.”

DIVIDEND POLICY

Since our inception, we have not declared or paid any cash dividends on our ordinary shares. We intend to retain any earnings for use in our business and do not currently intend to pay cash dividends on our ordinary shares. Dividends, if any, on our outstanding ordinary shares will be declared by and subject to the discretion of our board of directors. Even if our board of directors decides to distribute dividends, the form, frequency and amount of such dividends will depend upon our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors our board of directors may deem relevant.

In addition, our Thai subsidiary's ability to pay cash dividends is restricted based on statutory requirements, its articles of association and bank loan covenants, and our PRC subsidiary's ability to pay cash dividends is restricted based on statutory requirements and its articles of association.

Any dividend we declare will be paid to the holders of our ordinary shares, to the extent permitted by applicable laws and regulations. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and total capitalization as of June 30, 2007:

- on an actual basis; and
- on an as-adjusted basis to give effect to the amendment and restatement of our memorandum and articles of association upon or immediately prior to the closing of this offering and the issuance and sale by us of [] ordinary shares in this offering at an assumed initial public offering price of \$[] per ordinary share, which is the mid-point of the estimated public offering price range shown on the front cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses.

You should read this table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, included elsewhere in this prospectus.

	As of June 30, 2007	
	Actual	As Adjusted ⁽¹⁾
	(in thousands, except share data)	
Cash and cash equivalents	\$ 40,873	\$[]
Long-term loans from banks, non-current portion ⁽²⁾	9,825	[]
Other payables, related party, non-current portion	1,755	[]
Shareholders’ equity:		
Ordinary shares, \$0.01 par value; Authorized: 35,000,000 ordinary shares actual, [] ordinary shares, as adjusted, Issued and outstanding: 29,761,539 ordinary shares actual, [] ordinary shares, as adjusted	298	[]
Additional paid-in capital	26,473	[]
Warrants	97	[]
Retained earnings	102,487	[]
Total shareholders’ equity	129,355	[]
Total capitalization	\$ 140,935	\$ []

(1) Assumes that the underwriters do not exercise their over-allotment option.

(2) The long-term loans from banks of \$9.8 million is secured by certain property, plant and equipment.

This table excludes:

- 1,725,575 ordinary shares issuable upon the exercise of stock options outstanding as of June 30, 2007 under our 1999 Share Option Plan at a weighted average exercise price of \$1.84 per ordinary share;
- 144,057 ordinary shares available for future issuance under our 1999 Share Option Plan as of June 30, 2007; and
- 97,175 ordinary shares issuable upon the exercise of a warrant outstanding as of June 30, 2007, at an exercise price of \$0.01 per ordinary share.

DILUTION

Our net tangible book value as of September 30, 2007 was approximately \$[] million, or \$[] per ordinary share outstanding at that date. Net tangible book value per ordinary share is determined by dividing our net tangible book value by the number of outstanding ordinary shares. Our net tangible book value is determined by subtracting the value of our intangible assets and total liabilities from our total assets. Dilution is determined by subtracting net tangible book value per ordinary share from the assumed public offering price per ordinary share.

Without taking into account any other changes in such net tangible book value after September 30, 2007, other than to give effect to our sale of [] ordinary shares in this offering at an assumed initial public offering price of \$[] per ordinary share with estimated net proceeds of \$[] million after deducting underwriting discounts and commissions and estimated offering expenses, our as adjusted net tangible book value at September 30, 2007 would have been \$[] million, or \$[] per ordinary share. This represents an immediate increase in as adjusted net tangible book value of \$[] per ordinary share to existing shareholders and an immediate dilution in as adjusted net tangible book value of \$[] per ordinary share to new investors in this offering.

The following table illustrates the dilution on a per ordinary share basis:

	Per Ordinary Share
Assumed initial public offering price	\$[]
Net tangible book value at September 30, 2007, before giving effect to this offering	\$[]
Increase in net tangible book value attributable to this offering	[]
As adjusted net tangible book value after giving effect to this offering	[]
Dilution to new investors in this offering	\$[]

If the underwriters exercise their over-allotment option in full, the as adjusted net tangible book value per ordinary share after giving effect to this offering would be \$[].

The following table summarizes on an as adjusted basis described above, as of September 30, 2007, the differences between the number of ordinary shares purchased from us, the total cash consideration paid and the average price per ordinary share paid by our existing shareholders and by new investors.

	Ordinary Shares Purchased		Total Consideration		Average Price per Ordinary Share
	Number	Percent	Amount	Percent	
Existing shareholders	[]	[]%	\$ []	[]%	\$ []
New investors	[]	[]	[]	[]	[]
Total	[]	100%	\$ []	100%	\$ []

If the underwriters exercise their over-allotment option in full, our current shareholders would own []% and our new investors would own []% of the total number of our ordinary shares outstanding after this offering.

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The preceding discussion and tables assume no exercise of options to purchase ordinary shares and warrants outstanding at September 30, 2007. At September 30, 2007, there were:

- 1,717,800 shares issuable upon exercise of options to purchase ordinary shares at a weighted average exercise price of \$1.91 per share;
- 97,175 shares issuable upon exercise of outstanding warrants at an exercise price of \$0.01 per share; and
- [] shares available for future issuances under our equity incentive plans.

To the extent outstanding options or warrants are exercised, new investors will experience further dilution.

SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the selected consolidated financial data for the fiscal years ended June 30, 2007, 2006 and 2005, and as of June 30, 2007 and 2006, from our audited consolidated financial statements that are included elsewhere in this prospectus. We have derived the selected consolidated financial data for the fiscal years ended June 30, 2004 and 2003, and as of June 30, 2005, 2004 and 2003, from our audited consolidated financial statements that are not included in this prospectus. The following selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited financial statements and the related notes included elsewhere in this prospectus. The results presented below are not necessarily indicative of financial results to be achieved in future periods.

Our consolidated financial statements are prepared and presented in accordance with GAAP.

	Year Ended June 30,				
	2007	2006	2005	2004	2003
(in thousands, except per share data)					
Summary Consolidated Statements of Operations Data:					
Revenues:					
Optics and sensors	\$ 487,028	\$ 370,443	\$ 197,201	\$ 100,438	\$ 33,858
Disk storage solutions	—	—	4,707	106,045	172,089
Income from production wind-down and transfer agreements	9,115	5,216	44	—	—
Total revenues	496,143	375,659	201,952	206,483	205,947
Cost of revenues	(423,858)	(339,682)	(190,633)	(196,036)	(194,603)
Gross profit	72,285	35,977	11,319	10,447	11,344
Selling, general and administrative expenses	(18,036)	(10,935)	(6,389)	(6,165)	(5,535)
Operating income	54,249	25,042	4,930	4,282	5,809
Interest income	1,370	1,015	508	290	400
Interest expense	(2,842)	(3,346)	(834)	(285)	(336)
Foreign exchange (loss) gain, net	(336)	(181)	165	263	25
Income before income taxes	52,441	22,530	4,769	4,550	5,898
Income tax	(2,702)	(1,076)	730	54	(435)
Net income	\$ 49,739	\$ 21,454	\$ 5,499	\$ 4,604	\$ 5,463
Earnings per share:					
Basic	\$ 1.68	\$ 0.73	\$ 0.19	\$ 0.16	\$ 0.20
Diluted	\$ 1.60	\$ 0.71	\$ 0.18	\$ 0.15	\$ 0.18
Weighted average number of ordinary shares outstanding:					
Basic	29,600	29,469	29,451	28,503	27,998
Diluted	31,077	30,403	30,032	30,125	30,400

	As of June 30,				
	2007	2006	2005	2004	2003
(in thousands)					
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 40,873	\$ 40,063	\$ 42,953	\$ 35,765	\$ 36,147
Working capital ⁽¹⁾	102,268	64,856	48,159	42,891	40,889
Total assets	240,081	240,815	180,325	96,394	75,264
Long-term loans from banks, non-current portion	9,825	12,498	8,692	6,222	781
Total liabilities	110,726	162,132	123,287	45,014	28,670
Total shareholders’ equity	129,355	78,683	57,038	51,380	46,594

(1) Working capital is defined as current assets minus current liabilities.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S., or GAAP. The following discussion and analysis contains forward-looking statements that involve known and unknown risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the heading "Risk Factors." See also the discussion of "Forward-Looking Statements" elsewhere in this prospectus.

Overview

We are a leading provider of foundry services to optical component, module and subsystem, or optics, OEMs. Our services are based on precision optical and electro-mechanical process technologies and know-how that we have obtained through our focus on the industry since our inception in early 2000. We also design, manufacture and sell application-specific bulk optical materials and components, such as glass, crystals, prisms, lenses, laser components and substrates. Recently, we have also begun to provide foundry services to the sensors market, a market that requires precision optical and electro-mechanical process technology similar to the optics market. Examples of products that we manufacture for our OEM customers include selective switching solutions, reconfigurable optical add-drop modules, or ROADMs, and positioning sensors. We believe that there is no other provider of foundry services with similarly advanced optical and electro-mechanical process technology capabilities that does not compete with its customers in their end-markets.

We offer a full range of foundry services that cover the entire manufacturing process, including design, supply chain management, manufacturing, product assembly and test. We believe our optical and electro-mechanical process technologies, coupled with our bulk optical materials and components technologies, have created a key competitive advantage for us. These technologies include design and fabrication of bulk optical materials and components, material and process analysis, precision optical and electro-mechanical assembly, fiber metallization and lensing, fiber handling and alignment, advanced optical packaging, reliability testing, and optical testing.

We offer an efficient, technologically advanced and flexible manufacturing infrastructure that is designed to enable the scale production of low-volume, high-mix products. As of September 30, 2007, our facilities comprised approximately 754,000 total square feet, including approximately 640,000 square feet devoted to manufacturing and related activities supporting manufacturing, of which approximately 180,000 square feet were clean room facilities. Of the aggregate square footage of our facilities, approximately 515,000 square feet are located in Thailand and the balance is in the PRC and the U.S.

Our customer relationships tend to be long-term given the specialized nature of the services we provide, coupled with the complexities and costs to our customers associated with moving processes in-house or to other service providers. We work closely with our customers to create a series of processes that meet their customized production requirements. We believe that certain elements of our service offerings provide barriers to entry to our business. These include advanced process technology, our configuration to support low-volume, high-mix production and our protection of customer intellectual property.

We generate our total revenues primarily from foundry services and sales of bulk optical materials and components. We may experience fluctuations in growth rates and profitability from quarter to quarter, depending on the timing and nature of new customer and production engagements, among other factors. We currently depend, and expect to continue to depend, upon a small number of customers for a significant portion of our total revenues. For fiscal 2007, our eight largest customers accounted for 94.6% of our total revenues. The sales cycle and qualification cycle for our services is in many cases both rigorous and lengthy, making it difficult to predict the timing of revenues from new customers and new products. We have one reportable segment for financial reporting purposes.

Our History and Milestones

We began operations in January 2000, through the acquisition of a precision mechanical and electro-mechanical manufacturing site in Thailand from Seagate Technology, or Seagate. Our founder, Chairman, and CEO, David T. (Tom) Mitchell, was a co-founder of Seagate and believed that the precision electro-mechanical engineering and manufacturing skill-sets required in the hard disk drive industry could be repurposed to improve the efficiency and quality of the manufacturing processes in the optics industry. The following are the key milestones of our business:

- On January 2, 2000, we acquired our Chokchai Campus (known as Buildings 1 and 2) from Seagate and began producing electro-mechanical subassemblies for Seagate's hard disk drive operations. We manufactured products for Seagate under a three-year production agreement, which was originally scheduled to expire in December 2002, although we continued to build products for Seagate until August 2004.
- In January 2000, E-TEK Dynamics, Inc. (acquired by JDS Uniphase in June 2000) executed a supply agreement with us for the manufacture of optical components and modules and, in March 2000, agreed to invest in us.
- In June 2000, Finisar Corporation executed a supply agreement with us for the manufacture of optical components and modules.
- In July 2000, we generated our first revenues from optical components.
- In April 2003, we were recognized by Hewitt Associates as among the "Top 10 Employers in Thailand," an independently administered bi-annual survey.
- In fiscal 2004, our optics and sensors revenues reached \$100.4 million. In April 2004, we acquired additional land and buildings in Thailand, approximately seven miles from our original manufacturing campus, to expand our engineering and manufacturing services capacity. The new site, known as our Pinehurst Campus, contained a building of approximately 126,000 square feet (Building 3), which we renovated and made available to our customers in July 2004.
- In fiscal 2005, our optics and sensors revenues reached \$197.2 million.
 - In December 2004, we entered into a production wind-down and transfer agreement with an existing customer to wind down two factories in Asia and transition production from those sites to our facilities in Thailand;
 - In April 2005, we were again recognized by Hewitt Associates as among the "Top 10 Employers in Thailand"; and
 - In May 2005, we entered into a production wind-down and transfer agreement with an existing customer to acquire our VitroCom operations in Mountain Lakes, New Jersey and our CASIX subsidiary in the PRC, and to provide production transition and wind-down services at a New Jersey site for that customer.
- In fiscal 2006, our optics and sensors revenues reached \$370.4 million. In October 2005, we completed the construction of Building 4, our second manufacturing building on the Pinehurst Campus, increasing the square footage of the campus to approximately 288,000 square feet.
 - In February 2006, we entered into a production wind-down and transfer agreement with an existing customer to wind down manufacturing operations at a North American site for that customer and transition production to that customer's sites in Europe and Asia, and our facilities in Thailand.
- In fiscal 2007, our optics and sensors revenues reached \$487.0 million. We also scaled production for our first significant customers in the sensors market. In September 2006, we acquired land adjacent to our Pinehurst Campus and by December 2006 we had begun the construction of Pinehurst Building 5, an approximately 305,000 square foot facility that we expect to open in November 2007.

Revenues

We generate our total revenues primarily from foundry services and sales of bulk optical materials and components. From fiscal 2005 through fiscal 2007, our compound annual revenue growth rate was 56.7%. The demand for our services has grown significantly due to increased demand for optical communications equipment, driven by continued carrier investments in networks to support enhanced IP voice and video applications and converged voice, data and video services, as well as the continued trend towards outsourced manufacturing by optics OEMs.

The optics industry contributed substantially all of our total revenues during fiscal 2007. We also derived revenues in fiscal 2007 from sensors in the automotive, positioning, and test and measurement equipment markets. We expect that sensor products from these industries will contribute an increasing portion of our total revenues in the future.

We believe that our success in expanding our relationships with existing customers and gaining new customers is due to a number of factors, including the combination of a broad range of complex engineering and manufacturing service offerings, a flexible low-cost manufacturing platform, process optimization capabilities, advanced supply chain management, and an experienced management team. We believe these capabilities have positioned us to help our OEM customers reduce their manufacturing costs while maintaining or improving the quality, reliability, design and delivery times for their products. As a result, we have been able to increase our customer base from a single customer in January 2000, to four customers in January 2002, to approximately 15 customers currently.

Revenues, by percentage, from individual customers representing greater than 10% of our total revenues in the respective periods were as follows:

	Year Ended June 30,		
	2007	2006	2005
Customer A	26%	28%	35%
Customer B	23	24	21
Customer C	15	18	25
Customer D	12	*	*
Customer E	*	*	12

* Less than 10% of total revenues in the period.

Due to the nature of our business and the relative size of certain contracts, it is not unusual for a significant customer in one year to be less significant in the next, given changes in customer product mix, end-customer demand, and increases in our annual revenues. The loss of any single significant customer could have a material adverse effect on our results from operations.

During fiscal 2007, we had four customers that each contributed more than 10% of our total revenues. For fiscal 2007, our eight largest customers accounted for 94.6% of our total revenues. During fiscal 2006, we had three customers that each contributed more than 10% of our total revenues. During fiscal 2005, we had four customers that each contributed more than 10% of our total revenues.

Income from Production Wind-Down and Transfer Agreements

Income from production wind-down and transfer agreements primarily consists of income received from the production wind-down and transfer agreements we entered into during fiscal 2005 and fiscal 2006. We record this income on a straight-line basis over the estimated wind-down period and the product life cycle of the products transferred to Thailand under those various agreements. Currently, we do not expect to enter into new agreements that will generate material income from production wind-down and transfer agreements.

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At June 30, 2007, our consolidated balance sheet included deferred revenues, the current portion of which was \$2.7 million, which we expect to record as income from production wind-down and transfer agreements in fiscal 2008. At June 30, 2007, our consolidated balance sheet included deferred revenues, the non-current portion of which was \$1.4 million, which we expect to record as income from production wind-down and transfer agreements in fiscal 2009. See Notes 3-5 of our consolidated financial statements for further details.

Revenues by Geography

We generate total revenues from four geographic regions: North America, Asia, Europe and Australia. Revenues are attributed to a particular geographic area based on the location to which the customer's order is shipped. Virtually all of our total revenues are derived from our manufacturing facilities in Asia.

The percentage of our total revenues generated outside of North America has increased from 29.1% in fiscal 2005 to 35.0% in fiscal 2007, primarily through the acquisition of CASIX, whose customer base is primarily in the PRC, increased revenues from our customer in Australia, and the addition of new customers in Japan and Europe. We expect this trend to continue in the future as we anticipate entering into additional revenue-generating engagements with current and prospective customers in locations such as Europe, Japan, China and Israel.

The following table presents total revenues, by percentage, by geographic regions:

	Year Ended June 30,		
	2007	2006	2005
North America	65.0%	66.2%	70.9%
Asia	29.9	24.7	24.9
Europe	3.9	8.2	2.9
Australia	1.2	0.9	1.3
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Our Contracts

We enter into supply agreements with our customers that generally have an initial term of two to three years, with automatic annual renewal terms unless terminated with notice prior to the next annual renewal period. Our customers can opt not to renew our supply agreements with notice periods ranging from 90 to 270 days prior to the expiration date and can terminate the supply agreements with cause, often with notice periods as short as 15 days. There are no minimum purchase requirements in our supply agreements. These supply agreements generally include provisions for consigning a customer's unique production equipment to us, protecting us from carrying obsolescent inventory, sharing benefits from cost-savings derived from our efforts, and providing us with forecasts of demand requirements.

The production of optics and sensors is characterized by long transition lead times and a lengthy qualification process that typically takes six months to a year or longer to complete. Generally, we must qualify our production process with our customers, and the products that we manufacture must also meet the product quality requirements of our customers' customers. We believe that the rigorous product transfer and qualification processes, and the close relationships that we develop with our customers during those processes, may result in greater visibility into product life cycles and longer-term customer engagements.

Cost of Revenues

The key components of our cost of revenues are material costs, employee costs, and infrastructure-related costs. Material costs generally represent the majority of the cost of revenues. Several of the materials we require to

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manufacture products for our customers are customized for their products and, in many instances, sourced solely from a single supplier, in some cases our CASIX and VitroCom subsidiaries. Shortages due to yield loss, quality concerns, and capacity constraints, among others, at sole sourced suppliers may increase our expenses and negatively impact our profit margin or total revenues in a given quarter. Material costs include scrap material. Historically, our rate of scrap diminishes during a product's life cycle due to process, fixturing and test improvement and optimization.

A second significant element of cost of revenues is employee costs, including: indirect employee costs related to design, configuration and optimization of manufacturing processes for our customers, quality testing, materials testing and other engineering services; and direct costs related to our manufacturing employees. Direct employee costs include employee salaries, insurance and benefits, profit sharing, recruitment, training and retention. Historically, our employee costs have increased primarily due to increases in the number of employees necessary to support our growth and, to a lesser extent, costs to recruit, train and retain employees. Salary levels in Thailand and the PRC, the appreciation of the Thai baht against our functional currency, the U.S. dollar, and our ability to retain our employees significantly impact our cost of revenues. We expect our employee costs to increase as we continue to increase our headcount to service additional business and as wages continue to increase in Thailand and the PRC. Wage increases may impact our ability to sustain our competitive advantage and may reduce our profit margin. We seek to mitigate these cost increases through improvements in employee productivity, employee retention and asset utilization.

Our infrastructure costs are comprised of depreciation, utilities, and facilities management and overhead costs. Most of our facility leases are long-term agreements. Our depreciation costs are comprised of buildings and fixed assets, primarily at our Pinehurst Campus in Thailand, and capital equipment located at each of our manufacturing locations.

On a quarterly basis, we allocate ten percent of adjusted pretax profits to our Employee Profit Sharing Plan, which is currently distributed quarterly. Our Executive Bonus Plan, which is available for our executive officers and senior management, collectively known as our senior staff, comprises half of our Employee Profit Sharing Plan. Distributions to our senior staff under our Executive Bonus Plan are subject to the discretion of our board of directors. Charges to the income statement for distributions to employees and senior staff under these plans were \$5.2 million, \$3.1 million, and \$551,000 during the years ended June 30, 2007, 2006 and 2005, respectively.

Share-based compensation expense included in cost of revenues was \$373,000, \$64,000 and \$57,000 for the fiscal years ended June 30, 2007, 2006 and 2005, respectively. We did not capitalize share-based compensation expense as part of any asset during the years ended June 30, 2007, 2006 and 2005.

As a result of adopting SFAS 123(R) on July 1, 2006, our income for fiscal 2007 was approximately \$34,000 lower than if we had continued to account for share-based compensation under APB 25.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses, or SG&A expenses, primarily consist of corporate employee costs for sales and marketing, general and administrative and other support personnel, including amounts paid under our Employee Profit Sharing Plan, research and development expenses related to the design of bulk optical materials and components, travel expenses, legal and professional fees, share-based compensation expense, and other general expenses not related to cost of revenues.

Share-based compensation expenses included in SG&A expenses were \$437,000, \$62,000 and \$102,000 for the years ended June 30, 2007, 2006 and 2005, respectively.

Additional Financial Disclosures**Foreign Exchange**

As a result of our international operations, we are exposed to foreign exchange risk arising from various currency exposures primarily with respect to Thai baht and RMB. Although a majority of our total revenues is denominated in U.S. dollars, a substantial portion of our payroll as well as certain other operating expenses are incurred and paid in Thai baht. The exchange rates between the Thai baht and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future. We report our financial results in U.S. dollars and our results of operations have been and may continue to be negatively impacted due to Thai baht appreciation against the U.S. dollar. Smaller portions of our expenses are incurred in a variety of other currencies, including RMB, Canadian dollars, Euros, and Japanese yen, the appreciation of which may also negatively impact our financial results.

In order to manage the risks arising from fluctuations in currency exchange rates, we use derivative financial instruments. We may enter into short-term forward foreign currency contracts to help manage currency exposures associated with certain assets and liabilities, primarily short-term obligations. The forward exchange contracts have generally ranged from one to three months in original maturity, and no forward exchange contract has had an original maturity greater than one year. All foreign currency exchange contracts are recognized on the balance sheet at fair value. As we do not apply hedge accounting to these instruments, the derivatives are recorded at fair value through earnings. The gains and losses on our forward contracts generally offset losses and gains on the assets, liabilities and transactions economically hedged and, accordingly, generally do not subject us to risk of significant accounting losses.

As of the end of fiscal 2007 and fiscal 2006, we had outstanding foreign currency assets and liabilities in Thai baht and RMB as follows:

	June 30, 2007		June 30, 2006	
	Currency	\$	Currency	\$
(in thousands)				
Assets				
Thai baht	143,386	4,150	99,882	2,612
RMB	58,845	7,727	52,756	6,596
		<u>14,097</u>		<u>10,744</u>
Liabilities				
Thai baht	40,008	12,735	292,060	7,638
RMB	10,334	1,356	10,499	1,313
		<u>14,091</u>		<u>8,951</u>

The Thai baht assets represent cash and cash equivalents, accounts receivable, deposits and other current assets. The Thai baht liabilities represent trade accounts payable, accrued expenses and other payables. Thai baht liabilities will be hedged using the Thai baht assets and forward foreign currency contracts in accordance with our policy. As of the end of fiscal 2007, there were \$8.0 million selling forward contracts outstanding to hedge our Thai baht net asset position and \$1.0 million buying forward contracts outstanding to comply with the Thai authority requirement on non-Thai baht long-term loan disbursement. As of the end of fiscal 2006, there were no outstanding forward contracts.

The RMB assets represent cash and cash equivalents, accounts receivable and other current assets. The RMB liabilities represent trade accounts payable, accrued expenses and other payables. RMB liabilities will be hedged using the RMB assets. As of the end of fiscal 2007 and fiscal 2006, there were no outstanding forward contracts.

Currency Regulation and Dividend Distribution

Foreign exchange regulation in the PRC is primarily governed by the following rules:

- Foreign Currency Administration Rules (1996), as amended, or the Exchange Rules; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Exchange Rules, RMB is convertible into foreign currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investments, loans, security investments and repatriation of investments, is still subject to the approval of the State Administration of Foreign Exchange, or SAFE, or its competent local branches.

Under the Administration Rules, foreign-invested enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and relevant supporting documents and, in the case of capital account item transactions, obtaining approval from SAFE or its competent local branches. Capital investments by foreign-invested enterprises outside of the PRC are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the State Development and Reform Commission, or their respective competent local branches.

On January 5, 2007, SAFE promulgated the Implementing Rules of measures for the Administration of Individual Foreign Exchange, or the Implementation Rules. Under the Implementation Rules, PRC citizens who are granted stock options by an overseas publicly-listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly-listed company, to register with SAFE and complete certain other procedures.

In addition, the General Administration of Taxation has recently issued circulars concerning employee stock options. Under these circulars, our employees working in the PRC who exercise stock options will be subject to PRC individual income tax. CASIX, our PRC subsidiary, has obligations to file documents related to employee stock options with relevant tax authorities and withhold individual income taxes of those employees who exercise their stock options.

In addition, our transfer of funds to our subsidiaries in Thailand and the PRC are each subject to approval by governmental authorities in case of an increase in registered capital, or subject to registration with governmental authorities in case of a shareholder loan. These limitations on the flow of funds between us and our subsidiaries could restrict our ability to act in response to changing market conditions.

Income Tax

Our effective tax rate is predominantly a function of the mix of tax rates in the various jurisdictions in which we do business. We are domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains in the Cayman Islands. We have received this undertaking for a twenty-year period ending August 24, 2019.

CASIX, our wholly-owned indirect subsidiary, qualifies as a foreign investment production enterprise in the Fuzhou, PRC economic development zone where the prevailing income tax rate is 24%. However, CASIX is an export company with an annual export value over 70% of total production value, and therefore receives a 50% tax deduction. For fiscal 2007 and fiscal 2006, the applicable income tax rate for CASIX was 12%.

During fiscal 2007, the PRC adopted a new Unified Enterprise Income Tax Law which will take effect on January 1, 2008. Pursuant to the law, a new 25% statutory tax rate should apply to most companies beginning January 1, 2008, subject to certain transitional rules and other potential special incentives which have not been announced officially. Due to the uncertainties of how the final transitional rules may impact phase-in of the new tax

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rate, we measured the increase in our deferred taxes, assuming the old tax rate of 12% for the deferred tax planned to be utilized before January 1, 2008 and the new tax rate of 25% for the balance of deferred tax, which resulted in a \$718,000 net tax benefit. To the extent that the final transitional rules provide for a different tax rate from that which we had assumed, the measurement of our deferred taxes will change accordingly at that time.

Critical Accounting Policies and Use of Estimates

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on our management's judgment.

Business Combinations

We account for acquired businesses using the purchase method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values.

The cost to acquire a business includes the amount of cash paid, amounts that are contingently payable and amounts payable on the basis of earn-out arrangements, deferred consideration and transaction costs all at fair value. The cost is allocated to the underlying net assets, including pre-acquisition contingencies, of the acquired business at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. When we acquire net assets that do not constitute a business, the purchase consideration is allocated to the individual assets and liabilities acquired.

The judgments made in determining the estimated fair values assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. Useful lives are determined based on the expected future period of benefit of the asset, which considers various characteristics of the asset, including projected cash flows.

In cases where a part of the agreed purchase consideration is payable in the future, the discounted present value of such consideration is included in the cost of acquisition and recorded as a liability. Where such future amounts payable do not carry any interest rate or an interest rate which does not approximate our incremental borrowing rate for the relevant period, interest is imputed on such amounts using the incremental borrowing rate.

Warranty Provision

We generally warrant that our products will be free from defects in materials and workmanship, and will strictly conform to our customers' specifications, for a period of one to five years. In certain instances, we may agree to shorter or longer duration warranty obligations due to the design, application, or manufacturing complexity of a product. Generally, our customers expressly agree that our warranty does not apply to any defect in the materials or designs provided by our customers or their affiliates. Generally, our sole obligation under the warranty is to repair or replace any defective or nonconforming product. Our customers are responsible for all freight and insurance costs related to repair or replacement of products. Pursuant to the warranty, in no event will we have any liability for any special, indirect or consequential damages that relate to the warranty. Generally, our aggregate liability for warranty claims cannot exceed the total consideration paid to us by our customer. Based on

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our past experience, we reserve for estimated product warranty obligations at the time the products are sold. We may adjust this provision if our experience indicates an expected settlement will differ from initial estimates.

Long-Lived Assets

We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. Recoverability of property and equipment is measured by comparing its carrying amount to the projected undiscounted cash flows the property and equipment are expected to generate. If such assets are considered to be impaired, the impairment loss recognized, if any, is the amount by which the carrying amount of the property and equipment exceeds its fair value.

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our customers' financial condition and make provisions for doubtful accounts based on the outcome of these credit evaluations. We evaluate the collectibility of our accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections and the age of past due receivables. Unanticipated changes in the liquidity or financial position of our customers may require additional provisions for doubtful accounts.

Inventory Valuation

Our inventories are stated at the lower of cost, on a first-in, first-out basis, or market value. Our industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand. We make provisions for estimated excess and obsolete inventory based on regular reviews of inventory quantities on hand and the latest forecasts of product demand and production requirements from our customers. If actual market conditions or our customers' product demands are less favorable than those projected, additional provisions may be required. In addition, unanticipated changes in liquidity or the financial position of our customers or changes in economic conditions may require additional provisions for inventories due to our customers' inability to fulfill their contractual obligations with regard to inventory being held on their behalf.

Deferred Income Taxes

Our deferred income tax assets represent temporary differences between the carrying amount and the tax basis of existing assets and liabilities that will result in deductible amounts in future years, including net operating loss carryforwards. Based on estimates, the carrying value of our net deferred tax assets assumes that it is more likely than not that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize these deferred income tax assets. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. If these estimates and related assumptions change in the future, we may be required to increase or decrease our valuation allowance against the deferred tax assets resulting in additional or lesser income tax expense.

Deferred Revenues

Deferred revenues, current and non-current, represent the unrecognized income from the production wind-down and transfer agreements we entered into during fiscal 2006 and fiscal 2005. See Notes 3-5 of our consolidated financial statements for further details. The balances represent the net consideration received from the respective agreements that will be recognized on a straight-line basis over the estimated wind-down period and the product life cycle of the products transferred to Thailand under those various agreements, which are estimated to range between 12 to 25 months. Deferred revenues are amortized to income after the expiration of any contingency. The recognition of deferred revenues is included in income from production wind-down and transfer agreements in the consolidated statements of operations.

Production Wind-Down and Transfer Agreements

We enter into production wind-down and transfer agreements, which usually include several elements such as: (i) the temporary management or operation of a manufacturing facility or production line that produces optical products, which the parties have agreed will be manufactured and produced by us on an ongoing basis at our facilities in Thailand; (ii) winding down the facilities and terminating the employees; (iii) transferring production to our facilities in Thailand or the customer's other locations; (iv) the acquisition of inventory, other assets, liabilities or employee termination obligations necessary to temporarily manage and wind down the facility; and (v) reimbursement of operating expenses and losses and service fees. We enter into these agreements because we believe that providing the transfer production services facilitates a more efficient transfer for us and eases the requirements of our customers during the transfers. We may also obtain additional technical expertise during the wind-down period which benefits the transfer of production to Thailand. Generally, these agreements do not meet the definition of a business, as described below, because we do not have the risk and rewards of ownership during the temporary management and wind-down period as we are reimbursed for all operating expenses and losses and the agreements usually provide for additional compensation for the transfer services provided. Because each production wind-down and transfer agreement is unique, the transactions are accounted for on a case by case basis as multiple element agreements. See Notes 3, 4 and 5 to our consolidated financial statements.

To the extent that a deliverable in a multiple element agreement is subject to specific guidance, that deliverable is accounted for in accordance with such specific guidance. A multiple-element agreement is separated into more than one unit of accounting if all of the following criteria are met:

- The delivered item(s) has value to the client on a standalone basis;
- There is objective and reliable evidence of the fair value of the undelivered item(s); and
- If the agreement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

If these criteria are not met, the income from production wind-down and transfer agreements is deferred until the earlier of the date on which such criteria are met or the date on which the last undelivered element is delivered. If there is objective and reliable evidence of fair value for all units of accounting in an agreement, the agreement consideration is allocated to the separate units of accounting based on each unit's relative fair value. In cases in which there is objective and reliable evidence of fair value of the undelivered item(s) but no such evidence for the delivered item(s) exists, the residual method is used to allocate the agreement consideration. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total agreement consideration less the aggregate fair value of the undelivered item(s).

If the deliverables included in the single unit of accounting include services and the above separation criteria are not met, the income from production wind-down and transfer agreements is recognized after the expiration of any contingency on a straight-line basis over the estimated wind-down period and product life cycle of the products transferred to Thailand.

Share-Based Compensation

We have adopted the 1999 Share Option Plan and, as of September 30, 2007, have awarded options to acquire 3,324,400 ordinary shares, or []% of our outstanding shares taking into account the ordinary shares to be offered by us in this offering, to our directors, officers and employees. See "Management—Compensation of Discussion and Analysis—1999 Share Option Plan." These options include in each case an exercise price that is set by the board of directors. The fair market value of an ordinary share is determined by management by taking into consideration a number of assumptions, including valuation metrics of publicly traded competitors and industry comparables after applying a reasonable discount.

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Effective July 1, 2006, we adopted the fair value recognition provisions of SFAS 123(R). Under the fair value recognition provisions of SFAS 123(R), we applied the prospective transition method and measured share-based compensation at fair value on the awards' grant date based on the estimated number of awards that are expected to vest. Under the prospective transition method, we continue to account for outstanding non-vested awards under the provisions of APB 25. Awards granted (or modified, repurchased, or cancelled) after the adoption of SFAS 123(R) are accounted for under the provisions of SFAS 123(R). SFAS 123(R) requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. In determining the grant date fair value of awards, we are required to make estimates of the fair value of our ordinary shares, expected dividends to be issued, expected volatility of our shares, expected forfeitures of the awards, risk free interest rates for the expected terms of the awards, expected terms of the awards, and the vesting period of the respective awards.

Prior to the adoption of SFAS 123(R), we measured compensation expense for our employee share-based compensation in accordance with the intrinsic value method under APB 25 and related interpretations. Under this method, compensation expense exists when the exercise price of options granted to employees is less than the fair market value of the underlying share on the grant date. We then recognize compensation expense over the applicable vesting period using the accelerated method and classify these amounts in the statement of operations based on the department to which the related employee reports. Where the exercise price of the share option has equalled or exceeded the fair market value of the underlying ordinary share at the date of grant, no compensation expense has been recorded.

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Results of Operations

The following table sets forth a summary of our consolidated statements of operations. Our business has evolved rapidly since we commenced operations in 2000. We believe that period-to-period comparisons of operating results should not be relied upon as indicative of future performance.

	Year Ended June 30,		
	2007	2006 (in thousands)	2005
Revenues:			
Optics and sensors	\$ 487,028	\$ 370,443	\$ 197,201
Disk storage solutions	—	—	4,707
Income from production wind-down and transfer agreements	9,115	5,216	44
Total revenues	496,143	375,659	201,952
Cost of revenues	(423,858)	(339,682)	(190,633)
Gross profit	72,285	35,977	11,319
Selling, general and administrative expenses	(18,036)	(10,935)	(6,389)
Operating income	54,249	25,042	4,930
Interest income	1,370	1,015	508
Interest expense	(2,842)	(3,346)	(834)
Foreign exchange (loss) gain, net	(336)	(181)	165
Income before income taxes	52,441	22,530	4,769
Income tax	(2,702)	(1,076)	730
Net income	\$ 49,739	\$ 21,454	\$ 5,499

The following table sets forth a summary of our consolidated statements of operations as a percentage of total revenues for the periods indicated.

	Year Ended June 30,		
	2007	2006	2005
Revenues:			
Optics and sensors	98.2%	98.6%	97.7%
Disk storage solutions	—	—	2.3
Income from production wind-down and transfer agreements	1.8	1.4	0.0
Total revenues	100.0	100.0	100.0
Cost of revenues	(85.4)	(90.4)	(94.4)
Gross profit	14.6	9.6	5.6
Selling, general and administrative expenses	(3.6)	(2.9)	(3.2)
Operating income	10.9	6.7	2.4
Interest income	0.3	0.3	0.3
Interest expense	(0.6)	(0.9)	(0.4)
Foreign exchange (loss) gain, net	(0.1)	0.0	0.1
Income before income taxes	10.6	6.0	2.4
Income tax	(0.5)	(0.3)	0.4
Net income	10.0%	5.7%	2.7%

Comparison of Year Ended June 30, 2007 to Year Ended June 30, 2006

Total revenues. Our total revenues increased from \$375.7 million for fiscal 2006 to \$496.1 million for fiscal 2007, an increase of 32.1%. The increase in our total revenues was attributable to increased production volumes on products previously outsourced to us, the scaling of production of new products for our existing customers and, to a lesser extent, increases in revenues from new customers, including sensors customers. Our total revenues also increased in fiscal 2007 due to the full year impact of the February 2006 production wind-down and transfer agreement and the continued growth of our bulk optical materials and components sales. Our income from production wind-down and transfer agreements increased from \$5.2 million for fiscal 2006 to \$9.1 million for fiscal 2007. These impacts were partially offset by declining revenues associated with products approaching their end-of-life, as well as reduced revenues from pass-through materials for which we bill customers on a cost-plus basis.

Cost of revenues. Our cost of revenues increased from \$339.7 million, or 90.4% of total revenues, for fiscal 2006 to \$423.9 million, or 85.4% of total revenues, for fiscal 2007, an increase of 24.8%. This increase was due primarily to increased volumes of products manufactured for our customers and the resultant increases in purchases of materials, number of employees and related overhead, appreciation of the Thai baht and increased depreciation associated with our completion of Building 4. These increases were partially offset by a favorable product mix shift to leading-edge high speed modules, reductions in cost of revenues associated with the reduced cost of certain pass-through materials billed to customers on a cost-plus basis, and gains in employee efficiency and capacity utilization, including improved utilization of Building 4 in fiscal 2007 relative to fiscal 2006. Cost of revenues also included share-based compensation expenses of \$373,000 for fiscal 2007 as compared to \$64,000 for fiscal 2006.

Gross profit. Our gross profit increased from \$36.0 million, or 9.6% of total revenues, for fiscal 2006 to \$72.3 million, or 14.6% of total revenues, for fiscal 2007, an increase of 100.8%. Our gross profit included \$5.2 million in fiscal 2006 and \$9.1 million in fiscal 2007 of income from production wind-down and transfer agreements.

SG&A expenses. Our operating expenses increased from \$10.9 million, or 2.9% of total revenues, for fiscal 2006 to \$18.0 million, or 3.6% of total revenues, for fiscal 2007, an increase of 65.1%. This increase was due primarily to efforts to expand into new markets, the addition of senior staff and other personnel to support our increased revenues and customer base, and payments made under our Employee Profit Sharing Plan. SG&A expenses also included share-based compensation expenses of \$437,000 for fiscal 2007 as compared to \$62,000 for fiscal 2006.

Operating income. Our operating income increased from \$25.0 million, or 6.7% of total revenues, for fiscal 2006 to \$54.2 million, or 10.9% of total revenues, for fiscal 2007. Our operating income included \$5.2 million in fiscal 2006 and \$9.1 million in fiscal 2007 of income from production wind-down and transfer agreements.

Interest income. Our interest income increased from \$1.0 million for fiscal 2006 to \$1.4 million for fiscal 2007. This increase was primarily due to increases in interest rates.

Interest expense. Our interest expense decreased from \$3.3 million for fiscal 2006 to \$2.8 million for fiscal 2007. This decrease was due to our repayment of certain outstanding loan obligations, and interest expense is further reduced as interest is being capitalized in conjunction with the borrowings for the construction of Building 5.

Income before income taxes. As a result of the foregoing, we had income before income tax expenses of \$52.4 million for fiscal 2007 as compared to \$22.5 million for fiscal 2006.

Income tax. Our income tax reflects an effective tax rate of 5.2% for fiscal 2007 as compared to 4.8% for fiscal 2006.

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Net income. Our net income increased from \$21.5 million, or 5.7% of revenues, for fiscal 2006 to \$49.7 million, or 10.0% of revenues, for fiscal 2007, an increase of 131.8%. Net income included \$5.2 million in fiscal 2006 and \$9.1 million in fiscal 2007 of income from production wind-down and transfer agreements, and \$0.1 million in fiscal 2006 and \$0.8 million in fiscal 2007 from the after tax impact of share-based compensation expense.

Comparison of Year Ended June 30, 2006 to Year Ended June 30, 2005

Total revenues. Our total revenues increased from \$202.0 million for fiscal 2005 to \$375.7 million for fiscal 2006, an increase of 86.0%. The increase in our total revenues was attributable to the scaling of production of new products for our existing customers and revenues from new customers with whom we engaged in previous years but from whom we only realized substantial revenues beginning in fiscal 2006. In addition, our revenues increased due to the full year impact of the December 2004 and May 2005 production wind-down and transfer agreements and the full year impact and continued growth of the bulk optical materials and components businesses we acquired in May 2005. Our income from production wind-down and transfer agreements increased from \$44,000 for fiscal 2005 to \$5.2 million for fiscal 2006. During fiscal 2006, the growth in our customer base expanded the categories of products that we manufacture, including digital and analog cable television transmission equipment, optical amplifiers, and selective switching products. These impacts were partially offset by declining revenues associated with products approaching their end-of-life as well as reductions in certain revenues from pass-through materials we bill customers on a cost-plus basis. In addition, we manufactured disk storage solutions products for Seagate under a three-year production agreement, which was originally scheduled to expire in December 2002, although we continued to build such products for Seagate until the first quarter of fiscal 2005.

Cost of revenues. Our cost of revenues increased from \$190.6 million, or 94.4% of total revenues, for fiscal 2005 to \$339.7 million, or 90.4% of total revenues, for fiscal 2006, an increase of 78.2%. This increase was due primarily to increased volumes of products shipped to our customers and the resultant increases in purchases of materials, number of employees and related overhead, as well as appreciation of the Thai baht. These increases were partially offset by a favorable product mix shift towards higher margin foundry service products and bulk optical materials and components, improved utilization of our clean room capacity, gains in employee efficiency and increased utilization of Buildings 3 and 4. Cost of revenues also included share-based compensation expenses of \$64,000 for fiscal 2006 as compared to \$57,000 for fiscal 2005.

Gross profit. Our gross profit increased from \$11.3 million, or 5.6% of total revenues, for fiscal 2005 to \$36.0 million, or 9.6% of total revenues, for fiscal 2006, an increase of 217.8%. Our gross profit included \$44,000 in fiscal 2005 and \$5.2 million in fiscal 2006 of the income from production wind-down and transfer agreements.

SG&A expenses. Our SG&A expenses increased from \$6.4 million, or 3.2% of total revenues, for fiscal 2005 to \$10.9 million, or 2.9% of total revenues, for fiscal 2006, an increase of 70.3%. This increase was due primarily to the addition of senior staff and other personnel to support our increased revenues and customer base and payments made under our Employee Profit Sharing Plan. SG&A expenses included share-based compensation expenses of \$62,000 for fiscal 2006 as compared to \$102,000 for fiscal 2005.

Operating income. Our operating income increased from \$4.9 million for fiscal 2005 to \$25.0 million for fiscal 2006. Our operating income included \$44,000 in fiscal 2005 and \$5.2 million in fiscal 2006 of income from production wind-down and transfer agreements.

Interest income. Our interest income increased from \$508,000 for fiscal 2005 to \$1.0 million for fiscal 2006. This increase was due primarily to an increase in interest rates.

Interest expense. Our interest expense increased from \$834,000 for fiscal 2005 to \$3.3 million for fiscal 2006. This increase was due to the long-term loan obligation we entered into with the Thai Military Bank to

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finance the construction of Building 4 on our Pinehurst Campus and the increased working capital we required to support our increased revenues during fiscal 2006.

Income before income taxes. As a result of the foregoing, we had income before income tax expenses of \$22.5 million for fiscal 2006 as compared to \$4.8 million for fiscal 2005.

Income tax. Our income tax increased from a benefit of \$730,000 for fiscal 2005 to an expense of \$1.1 million for fiscal 2006. This increase was primarily due to the net tax effects of the various production wind-down and transfer agreements that we entered into in fiscal 2005 and the reversal of valuation allowances in fiscal 2005 and fiscal 2006.

Net income. Our net income increased from \$5.5 million for fiscal 2005 to \$21.5 million for fiscal 2006. Net income included \$44,000 in fiscal 2005 and \$5.2 million in fiscal 2006 of income from production wind-down and transfer agreements, and \$159,000 in fiscal 2005 and \$126,000 in fiscal 2006 from the after tax impact of share-based compensation expense.

Selected Quarterly Results of Operations

The following table presents our unaudited consolidated selected quarterly results of operations for each of the eight quarters ended June 30, 2007. In management's opinion, the data has been prepared on the same basis as our audited consolidated financial statements included in this prospectus, and reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of this data. The results of historical periods are not necessarily indicative of the results of operations for a full year or any future period. You should read the following table in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus.

	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Three Months Ended			Dec 31, 2005	Sep 30, 2005
				Sep 30, 2006	Jun 30, 2006	Mar 31, 2006		
	(unaudited, in thousands)							
Revenues:								
Optics and sensors	\$ 117,515	\$ 123,939	\$ 124,731	\$ 120,842	\$ 106,621	\$ 92,792	\$ 91,838	\$ 79,192
Income from production wind-down and transfer agreements	2,428	2,422	2,241	2,024	2,008	2,001	1,188	19
Total revenues	119,943	126,361	126,972	122,866	108,629	94,793	93,026	79,211
Cost of revenues	(102,187)	(108,631)	(107,442)	(105,598)	(95,917)	(83,914)	(85,985)	(73,866)
Gross profit	17,756	17,730	19,530	17,268	12,712	10,879	7,041	5,345
Selling, general and administrative expenses	(4,860)	(4,860)	(4,289)	(4,027)	(2,988)	(2,592)	(3,287)	(2,068)
Operating income	12,896	12,870	15,241	13,241	9,724	8,287	3,754	3,277
Interest income	375	291	372	332	326	277	238	174
Interest expense	(844)	(745)	(538)	(715)	(887)	(781)	(813)	(865)
Foreign exchange (loss) gain, net	(2)	(149)	(179)	(5)	(147)	(222)	83	105
Income before income taxes	12,425	12,267	14,896	12,853	9,016	7,561	3,262	2,691
Income tax	(1,723)	551	(639)	(891)	(1,066)	(54)	0	44
Net income	\$ 10,702	\$ 12,818	\$ 14,257	\$ 11,962	\$ 7,950	\$ 7,507	\$ 3,262	\$ 2,735

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The following table sets forth our historical results, for the periods indicated, as a percentage of total revenues.

	Three Months Ended							
	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005
	(unaudited)							
Revenues:								
Optics and sensors	98.0%	98.1%	98.2%	98.4%	98.2%	97.9%	98.7%	100.0%
Income from production wind-down and transfer agreements	2.0	1.9	1.8	1.6	1.8	2.1	1.3	0.0
Total revenues	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Cost of revenues	(85.2)	(86.0)	(84.6)	(85.9)	(88.3)	(88.5)	(92.4)	(93.3)
Gross profit	<u>14.8</u>	<u>14.0</u>	<u>15.4</u>	<u>14.1</u>	<u>11.7</u>	<u>11.5</u>	<u>7.6</u>	<u>6.7</u>
Selling, general and administrative expenses	(4.1)	(3.8)	(3.4)	(3.3)	(2.8)	(2.7)	(3.5)	(2.6)
Operating income	<u>10.8</u>	<u>10.2</u>	<u>12.0</u>	<u>10.8</u>	<u>9.0</u>	<u>8.7</u>	<u>4.0</u>	<u>4.1</u>
Interest income	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.2
Interest expense	(0.7)	(0.6)	(0.4)	(0.6)	(0.8)	(0.8)	(0.9)	(1.1)
Foreign exchange (loss) gain, net	<u>0.0</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>0.0</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>0.1</u>	<u>0.1</u>
Income before income taxes	<u>10.4</u>	<u>9.7</u>	<u>11.7</u>	<u>10.5</u>	<u>8.3</u>	<u>8.0</u>	<u>3.5</u>	<u>3.4</u>
Income tax	(1.4)	0.4	(0.5)	(0.7)	(1.0)	(0.1)	0.0	0.1
Net income	<u>9.0%</u>	<u>10.1%</u>	<u>11.2%</u>	<u>9.7%</u>	<u>7.3%</u>	<u>7.9%</u>	<u>3.5%</u>	<u>3.5%</u>

Total Revenues

Our total revenues have increased for each quarter of fiscal 2007 as compared to the same quarter of fiscal 2006. From the first quarter of fiscal 2006 to the second quarter of fiscal 2006, from the third quarter of fiscal 2006 to the fourth quarter of fiscal 2006, and from the fourth quarter of fiscal 2006 to the first quarter of fiscal 2007, we saw significant increases in total revenues of \$13.8 million, \$13.8 million and \$14.2 million, respectively, due to increased production volumes on products previously outsourced to us, increases in revenues from new products for our existing customers, the addition of new customers and the impact of production wind-down and transfer agreements we entered into in May 2005 and February 2006. However, we experienced modest declines in the third and fourth quarters of fiscal 2007 associated with the transition to lean manufacturing at two global networking OEMs that are important customers of a number of our optics customers.

Cost of Revenues

In general, our total revenues have increased faster than our cost of revenues due to improvements in yields and manufacturing employee efficiency. As result, cost of revenues as a percentage of total revenues was lower in fiscal 2007, ranging from 84.6% to 86.0%, as compared to fiscal 2006, during which cost of revenues as a percentage of total revenues ranged from 88.3% to 93.3%.

Gross Profit

Gross margins improved sequentially in each quarter of fiscal 2006 and have remained largely stable in fiscal 2007 despite modest declines in gross margins during the third quarter as compared to the second quarter of fiscal 2007 due primarily to a favorable adjustment in cost of materials procured from a customer during a production wind-down and transfer.

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SG&A Expenses

Our SG&A expenses have generally increased in absolute dollar terms from quarter to quarter as we expanded our senior staff to address additional opportunities such as the sensors market and incurred additional legal and accounting fees. Additionally, our profit sharing expense increased in line with the increase in our profitability, which increased, as a percentage, more than our total revenues. As a percentage of total revenues, SG&A expenses during fiscal 2007 ranged from 3.3% to 4.1%, as compared to fiscal 2006, during which SG&A expenses as a percentage of total revenues ranged from 2.6% to 3.5%.

Operating Income

Our operating income has typically increased for each quarter of fiscal 2007 as compared to the same quarter of fiscal 2006 as a result of increases in revenues and gross profit, somewhat offset by increases in SG&A expenses. Our operating income increased substantially from the second quarter of fiscal 2006 to the third quarter of fiscal 2006 and the fourth quarter of fiscal 2006 to the first quarter of fiscal 2007 as a result of our increases in revenues, the successful wind-down and transfer to our Thailand operations of facilities that we were operating on our customers' behalf and the impact of the acquisition and growth of our bulk optical materials and components capabilities. However, operating income declined from the second quarter of fiscal 2007 to the third quarter of fiscal 2007 due to declines in revenues and demand for certain of our major customers' product lines due in part to the transition to lean manufacturing of two global networking OEMs that are important customers of certain of our customers and costs incurred in advance of revenues for transfers of products that will ramp during fiscal 2008.

Net Income

Our net income generally tracked changes in our operating income, offset by net interest expense and income taxes.

Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have primarily financed our operations through cash flow from operations, the sale of ordinary shares to investors in March 2000 and commercial loans. As of June 30, 2007, we had approximately \$40.9 million in cash and cash equivalents and approximately \$35.5 million of outstanding debt. Our cash and cash equivalents primarily consist of cash on hand, demand deposits and liquid investments with original maturities of three months or less which are placed with banks and other financial institutions. For fiscal 2007, the weighted average interest rate on our cash and cash equivalents was 5.2%.

The following table shows our net cash provided by operating activities, net cash used in investing activities and net cash provided by financing activities for the years ended June 30, 2007, 2006 and 2005:

	Year Ended June 30,		
	2007	2006	2005
		(in thousands)	
Net cash provided by (used in) operating activities	\$ 26,244	\$ 25,073	\$(4,935)
Net cash (used in) provided by investing activities	(12,380)	(10,845)	2,615
Net cash (used in) provided by financing activities	(13,133)	(17,128)	9,520
Net increase (decrease) in cash and cash equivalents	731	(2,900)	7,200
Cash and cash equivalents, beginning of year	40,063	42,953	35,765
Cash and cash equivalents, end of year	40,873	40,063	42,953

Our net cash provided by operating activities was \$26.2 million for fiscal 2007 as compared to \$25.1 million for fiscal 2006. This increase in our net cash provided by operating activities was primarily due to increases in

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net income associated with our increase in total revenues and improvements in payments in our accounts receivable and in days inventory outstanding. These increases were partially offset by reductions in trade accounts payable, including those to related parties.

We had net cash used in investing activities of \$12.4 million for fiscal 2007 as compared to \$10.8 million for fiscal 2006. Our net cash used in investing activities for fiscal 2007 was primarily attributable to capital expenditures. Our net cash used in investing activities for fiscal 2006 was attributable to capital expenditures.

We had net cash used in financing activities of \$13.1 million for fiscal 2007 as compared to \$17.1 million for fiscal 2006. Our net cash used in financing activities for fiscal 2007 and fiscal 2006 was primarily the result of long-term debt and short-term bank loans, offset in part by the repayment of short-term bank loans and, to a lesser extent, installment payments for production wind-down and transfer agreements and acquisitions.

We believe that our current cash and cash equivalents, short-term investments, cash flow from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs, including for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments. If these sources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or to obtain additional credit facilities. The sale of additional equity or convertible debt securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in debt service obligations and could result in operating and financial covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

From time to time, we evaluate possible investments, acquisitions or divestments and may, if a suitable opportunity arises, make an investment or acquisition or conduct a divestment. We currently have no commitments to make any material investment or acquisition or conduct any material divestment.

Contractual Obligations

The following table sets forth our contractual obligations as of June 30, 2007:

	Total	Year Ending June 30,					2013 and Beyond
		2008	2009	2010 (in thousands)	2011	2012	
Long-term debt obligations	\$ 13,498	\$ 3,673	\$ 3,313	\$ 2,751	\$ 2,507	\$ 797	\$ 457
Interest expense obligation ⁽¹⁾	2,109	853	596	370	186	58	46
Construction commitments	18,795	18,795	—	—	—	—	—
Capital lease obligations	295	273	22	—	—	—	—
Operating lease obligations	7,825	1,564	1,279	1,217	982	982	1,801
Other payables, related party	4,595	2,840	1,755	—	—	—	—
Total	<u>\$ 47,117</u>	<u>\$ 27,998</u>	<u>\$ 6,965</u>	<u>\$ 4,338</u>	<u>\$ 3,675</u>	<u>\$ 1,837</u>	<u>\$ 2,304</u>

(1) Interest expense obligation has been calculated on the variable interest rate, long-term debt obligations using the interest rates at June 30, 2007. The interest rates range between 6.88% and 7.81%. For further discussion of long-term debt obligations, see Note 12 of our consolidated financial statements.

Our long-term debt obligations consist of six agreements as of June 30, 2007. These obligations are secured by certain land and buildings under construction, and collateralized with manufacturing property, plant and equipment. The long-term debt obligations contain various restrictive covenants, including the maintenance of certain financial ratios, limitation on the ability to transfer, lend, pledge, or mortgage certain assets, the need for reassessment of the valuation of certain collateral assets, and the need to maintain a separate debt service reserve account. We have received waivers for, among other things, the breach of a covenant relating to the mortgaging

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of certain assets under a separate lending agreement, failing to obtain an annual reassessment of the valuation of certain collateral assets, failing to open a separate debt service reserve account to fund required principal and interest payments and the breach of certain financial ratios. In addition to the covenant violation waivers obtained, the respective creditors have agreed to amend certain of the financial ratios and restrictive covenants.

We also have short-term lending arrangements in the form of promissory notes and packing credits that are due within one to six months. In order to secure one short-term credit facility, we provided security by pledging certain trade receivables. As of June 30, 2007, unutilized borrowing capacity available under both short-term and long-term debt obligations totaled \$45 million.

As of June 30, 2007, we also had certain operating lease arrangements where the lease payments are calculated based on specified formulas. Our rental expenses under these leases were \$1.5 million, \$1.5 million and \$0.7 million for the fiscal years ended June 30, 2007, 2006 and 2005, respectively. As future lease payments under these arrangements are not reasonably estimable, they are not included in the minimum lease payments shown above.

Apart from the above, as of June 30, 2007, we did not have any material contractual or commercial obligations, commitments or contingencies.

Capital Expenditures

The following table sets forth our capital expenditures, which include amounts for which payments have been accrued, for the periods indicated. Actual future capital expenditures for the periods after June 30, 2007 may differ from the amounts indicated below.

	Year Ended June 30,		
	2007	2006	2005
Total capital expenditures	\$15,601	\$14,772	\$ 7,732

Our capital expenditures for fiscal 2007 principally consisted of purchases of, or investments in, land for Building 5, construction for Building 5 and equipment in our other manufacturing facilities. During fiscal 2008 and fiscal 2009, we expect to incur a substantial portion of the construction and equipment costs for Building 5, which is expected to be completed in the second quarter of fiscal 2008. We also intend to upgrade our financial and accounting systems, our enterprise resource planning systems, software and hardware, and our other infrastructure. In addition to capital expenditures, we have substantial future cash needs for our planned increases in sales, marketing, promotional and workforce expenses.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We also do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We had cash and cash equivalents totaling \$40.9 million, \$40.1 million and \$43.0 million as of June 30, 2007, 2006 and 2005. Our exposure to interest rate risk primarily relates to the interest income generated by excess cash invested in highly liquid investments with maturities of three months or less from the original dates of purchase. The cash and cash equivalents are held for working capital purposes. We have not used derivative financial instruments in our investment portfolio. We have not been exposed nor do we anticipate being exposed to material risks due to changes in market interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates fell 100 basis points during the year ended June 30, 2007, our interest income would have decreased by \$0.3 million, assuming consistent investment levels.

Interest rate risk also refers to our exposure to movements in interest rates associated with our interest bearing liabilities. The interest bearing liabilities are denominated in U.S. dollars and the interest expense is based on the Singapore Inter-Bank Offered Rate, or SIBOR, and the London Inter-Bank Offered Rate, or LIBOR, plus an additional margin, depending on the respective lending institutions. If the SIBOR and the LIBOR increased by 100 basis points during the year ended June 30, 2007, our interest expense would have increased by \$0.3 million, assuming consistent borrowing levels.

Foreign Currency Risk

As a result of our foreign operations, we have significant expenses, assets and liabilities that are denominated in foreign currencies. Substantially all of our employees and most of our facilities are located in Thailand and the PRC, so a substantial portion of our payroll as well as certain other operating expenses and certain loan payments are paid in Thai baht or RMB. The significant majority of our revenues are received in U.S. dollars, because our customer contracts generally provide that our customers will pay us in U.S. dollars.

As a consequence, our gross margins, operating results, profitability and cash flows are adversely impacted when the dollar depreciates relative to the Thai baht or the RMB. We have a particularly significant currency rate exposure to changes in the exchange rate between the Thai baht and the U.S. dollar. We must translate foreign currency denominated results of operations, assets and liabilities for our foreign subsidiaries to U.S. dollars in our consolidated financial statements. Consequently, increases and decreases in the value of the U.S. dollar compared to such foreign currencies will affect our reported results of operations and the value of our assets and liabilities on our consolidated balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in its original currency. These transactions could significantly affect the comparability of our results between financial periods or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity.

We attempt to hedge against these exchange rate risks by entering into hedging contracts that are typically one to two months in duration, leaving us exposed to longer term changes in exchange rates. We experienced foreign currency losses of \$0.3 million during fiscal 2007. As foreign currency exchange rates fluctuate relative to the U.S. dollar, we expect to incur foreign currency translation adjustments and may incur foreign currency exchange losses. For example, a 10% fluctuation in the U.S. dollar against the Thai baht and the RMB at June 30, 2007 would have had an immaterial impact on our net dollar position in outstanding trade payables and receivables. We cannot give any assurance as to the effect that future changes in foreign currency rates will have on our consolidated financial position, results of operations or cash flows.

Recent Accounting Pronouncements

SFAS 157

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements,” or SFAS 157, to provide enhanced guidance when using fair value to measure assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value and, while not requiring new fair value measurements, may change current practices. SFAS 157 is effective for our company beginning in fiscal 2009. We are currently evaluating the impact SFAS 157 will have on our consolidated financial statements.

SFAS 159

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB No. 115,” or SFAS 159. SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for our company beginning fiscal 2009. We are currently evaluating the impact of SFAS 159 will have on our consolidated financial statements.

FIN 48

In June 2006, FASB issued interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (FAS No. 109),” or FIN 48. This interpretation prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, we determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in: (i) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable; (ii) a reduction in a deferred tax asset or an increase in a deferred tax liability; or (iii) both (i) and (ii). Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FAS No. 109 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation. This Interpretation is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of FIN 48 will have on our consolidated financial statements.

BUSINESS

Overview

We are a leading provider of foundry services to optical component, module and subsystem, or optics, OEMs. Our services are based on precision optical and electro-mechanical process technologies and know-how that we have obtained through our focus on the industry since our inception in early 2000. We also design, manufacture and sell application-specific bulk optical materials and components, such as glass, crystals, prisms, lenses, laser components and substrates. Recently, we have also begun to provide foundry services to the sensors market, a market that requires precision optical and electro-mechanical process technology similar to the optics market. Examples of products that we manufacture for our OEM customers include selective switching solutions, reconfigurable optical add-drop modules, or ROADMs, and positioning sensors. We believe that there is no other provider of foundry services with similarly advanced optical and electro-mechanical process technology capabilities that does not compete with its customers in their end-markets.

We believe we are uniquely positioned to help our OEM customers reduce their manufacturing costs while maintaining or improving the quality, reliability, design and delivery times for their products. We offer a full range of foundry services that cover the entire manufacturing process, including design, supply chain management, manufacturing, product assembly and test. We believe our optical and electro-mechanical process technologies, coupled with our bulk optical materials and components technologies, have created a key competitive advantage for us. These technologies include:

- design and fabrication of bulk optical materials and components;
- material and process analysis;
- precision optical and electro-mechanical assembly;
- fiber metallization and lensing;
- fiber handling and alignment;
- advanced optical packaging;
- reliability testing; and
- optical testing.

Our end-to-end capabilities enable us to provide solutions that often lead to improvements to our customers' product development cycles, manufacturing cycle times, quality and reliability, input cost and lead times, manufacturing yields and end product costs. We offer an efficient, technologically advanced and flexible manufacturing infrastructure that is designed to enable the scale production of low-volume, high-mix products, as well as high-volume products. As of September 30, 2007, our facilities comprised approximately 754,000 total square feet, including approximately 114,000 square feet of office space and approximately 640,000 square feet devoted to manufacturing and related activities, of which approximately 180,000 square feet were clean room facilities. Of the aggregate square footage of our facilities, approximately 515,000 square feet are located in Thailand and the balance is in the PRC and the U.S.

Our customers include seven of the ten largest optics companies worldwide in terms of revenue in 2006, according to Ovum-RHK, a marketing research firm. In many cases, we are the sole foundry partner used by our customers for the products that we produce for them in our facilities. We have passed the rigorous facility and product-specific qualification processes of our customers and our customers' customers and believe that we have established a strong reputation for quality and reliability with both groups.

Our leadership in providing foundry services to optics OEMs has enabled us to deliver a strong financial track record of increasing revenues and profitability. Our total revenues have increased from \$202.0 million in fiscal 2005 to \$375.7 million in fiscal 2006 to \$496.1 million in fiscal 2007, a compound annual growth rate of 56.7%.

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Our gross margins and operating margins have increased from 5.6% and 2.4%, respectively, in fiscal 2005 to 9.6% and 6.7%, respectively, in fiscal 2006 to 14.6% and 10.9%, respectively, in fiscal 2007. Our net margin has increased from 2.7% in fiscal 2005 to 5.7% in fiscal 2006 to 10.0% in fiscal 2007. We have been consistently profitable since our inception and have achieved 30 quarters of consecutive profitable operations.

Industry Background

Consistent increases in network traffic volumes driven by the demand for enhanced voice and video applications delivered over internet protocol, or IP, networks, coupled with competition to deliver converged voice, data and video services, have resulted in higher network utilization and the need for carrier networks to increase their bandwidth capacity. This demand for increased capacity has spurred an increase in carrier demand for infrastructure equipment, including optical communications equipment. According to Ovum-RHK, annual sales for the global optical components market increased at a compound annual growth rate of 9.8% between 2002 and 2006, reaching approximately \$3.9 billion in 2006. Ovum-RHK projects that annual sales will increase at a compound annual growth rate of 8.1% to reach approximately \$5.1 billion by 2011.

Since 2001, the optics industry has undertaken to reduce manufacturing capacity and transition to a low-cost and more efficient manufacturing base. By outsourcing production to third parties, optics vendors are better able to concentrate on what they believe to be their core strengths, such as research and development, marketing and sales. Outsourcing production often allows these vendors to reduce product cost, achieve accelerated time-to-market and time-to-volume production, and access advanced design and manufacturing technologies. The process technologies used in optics products are highly heterogeneous, numerous and, in most cases, industry-specific. The principal barrier to the optics OEMs' trend towards outsourcing has been the shortage of third party foundry suppliers with applicable optical process capabilities and robust intellectual property protection.

The optical and electro-mechanical process technologies used in the optics market also have applications in the sensors market. According to Global Industry Analysts, Inc., or GIA, annual sales for the global sensors market increased at a compound annual growth rate of 6.8% between 2002 and 2006, reaching approximately \$46.0 billion in 2006. GIA projects that annual sales will increase at a compound annual growth rate of 7.5% to reach approximately \$61.3 billion by 2010. This growth is driven by improved functionality and reduced costs, as well as advances in embedded processing and wireless networking, enabling new applications across a variety of industries and device platforms. Sensors are used in many diverse industries, including medical device, automotive and test and measurement equipment, logistics, oil and gas, chemical and other industries. Similar to the optics market, the manufacturing of advanced sensor components is complex, utilizing customized environments and a variety of specialty processes, including optical packaging technology, such as laser welding, and fiber handling and alignment.

We believe that we are uniquely positioned to provide foundry services in the optics and sensors markets. To control and optimize yields and maintain quality and reliability, the production of optics and sensor products requires a dedicated process engineering team with deep knowledge in materials sciences and physics. In addition to the high barriers to entry associated with the complexities of optical and electro-mechanical manufacturing processes, critical customer intellectual property is involved in the manufacture of our customers' products. Most companies with our expertise have chosen to introduce their own products and as a result directly compete with their customers. Intellectual property risks as well as the technical challenges of achieving high yields and quality levels have historically made OEMs reluctant to outsource production of their products to more than a single trusted partner. We believe that we are unique in our target markets because we have adopted a pure foundry business model, in that we exclusively produce optics for our customers and do not compete with them. As a result of our model, we believe that we are more closely aligned with and better able to develop a long-term relationship with our customers than our competitors.

Our Competitive Strengths

We believe that we have become the optical foundry market leader due to our long-term investment in optical and electro-mechanical process technology and our strategic alignment with our customers. More specifically, our key competitive strengths include:

- **Advanced Optical and Electro-Mechanical Process Technology Expertise:** We believe that our broad array of advanced optical process and electro-mechanical technologies and capabilities is essential to our ability to address complex component applications. We have assembled an engineering team with over 600 employees as of September 30, 2007, many of whom have advanced degrees in areas such as materials science, physics, mechanical engineering and industrial engineering. These capabilities are essential to our ability to achieve the required yield, cost and quality levels, as well as to provide manufacturing customer support and conduct root cause analysis. Hundreds of unique manufacturing techniques and process technologies requiring substantial time and resources to master are used to produce our customers' optics and sensor products. We have developed leading-edge capabilities to address the needs of our customers in next generation optical networking components for 10G and 40G networks, such as selective switching, ROADM and tunable lasers.
- **Superior Value Proposition:** We enable our customers to transition their production to an efficient and flexible manufacturing platform that is specialized for the production of optics and sensor products and located in a low-cost geography. We believe our significant manufacturing scale and purchasing power in the optics market, coupled with our ability to help improve the manufacturability of products through design and process improvements, provides our customers with meaningful production cost benefits. We have configured our operations to specialize in the efficient production of complex low-volume, high-mix applications that other outsourced manufacturers may find challenging to address profitably. We believe that our infrastructure, including our material requirement planning software systems and supply chain management processes, provides us a competitive advantage in these applications. Additionally, we believe our proven track record of supporting our customers to cost-effectively scale to high-volume production has resulted in our strong reputation for reliability in meeting the supply continuity requirements of our customers' customers.
- **Complete Optical Manufacturing and Process Engineering Solution:** We offer a full range of foundry services that cover the entire manufacturing process, including design, supply chain management, manufacturing, product assembly and test. We integrate our personnel and services with our customers' research and development and supply chain management teams to provide a virtual in-house manufacturing platform, enabling our customers to exit manufacturing completely by maintaining strong collaboration with our dedicated engineering and manufacturing teams. In this way, our customers continue to enjoy the strategic benefits of in-house manufacturing, while realizing the cost and other benefits of outsourcing production to a foundry partner offering a single point of contact for a total outsourced assembly solution. We offer a factory-in-a-factory manufacturing configuration to our customers, which provides for exclusive engineering teams and manufacturing space for production, which enhances the protection of our customers' intellectual property. By controlling the entire manufacturing process, we believe we provide solutions that match or exceed our customers' capabilities in terms of manufacturing cycle times, quality and reliability, input cost, lead times and manufacturing yields.
- **Vertical Integration Targeting Custom Bulk Optical Materials and Components:** We have advanced capabilities in bulk optical materials and components. We fabricate custom glass, crystals, prisms, lenses, laser components and substrates used in optics and sensor products. We typically target high-value custom glass and crystal solutions, which we develop for sale to third parties in the merchant market as well as for use in our foundry customers' products. We believe that our bulk optical materials and components are strategically aligned with the low-volume, high-mix applications that we target for our foundry services. We believe that our strategic alignment with our major customers provides us with a competitive advantage in addressing the bulk optical materials and components market opportunity.

- **Management Team with Demonstrated Track Record of Financial and Strategic Execution:** We have a senior management team with extensive experience across a number of industries relevant to our operations. Under the leadership of this team, our total revenues have increased 86.0% from fiscal 2005 to fiscal 2006, and 32.1% from fiscal 2006 to fiscal 2007. We believe that we have developed a customer base consisting of industry leaders in the optics market and, increasingly, the sensors market, and have established a consistent track record of intellectual property protection and close strategic cooperation with our customers. We have also successfully integrated several acquisitions that have expanded our position within the optics market and enabled us to pursue our vertically integrated business model in bulk optical materials and components. In addition, as a result of our operational excellence, we have been recognized twice by Hewitt Associates as among the “Top 10 Employers in Thailand,” an independently administered bi-annual survey.

Our Growth Strategy

Our mission is to further strengthen our leadership position in optical foundry services and to become the leading provider of foundry services for sensor products and solutions worldwide. To achieve this mission, we plan to:

- **Expand Our Optics Market Leadership:** The optics market is growing rapidly, driven by the growth in demand for network bandwidth. We believe that this trend will continue to increase the demand for the products that we manufacture. Additionally, optics companies continue to further outsource their manufacturing in order to focus on core research and development of new products, and access advanced design and manufacturing technologies. We believe that we are uniquely positioned to capture the growing market for outsourced production of optical components based on our breadth of optical process capabilities. Additionally, in response to customer demand, we have invested substantial resources in leading-edge process technologies to support the manufacture of complex optical products such as 10G and 40G next generation networks. Accordingly, we believe we are well positioned to gain market share through strong participation on next generation product platforms.
- **Leverage Advanced Optical Technology Expertise to Lead in the Sensors Market:** We believe our advanced optical and electro-mechanical process technologies and cost-effective, high-mix, flexible manufacturing platform have assisted in the transition of the optical market to one increasingly characterized by the outsourcing of critical component manufacturing. The skill-set that has enabled us to be a leader in the optics market has positioned us well to service the large and growing sensors market, where we are targeting customers in medical, automotive, measurement and other industrial sectors. The sensors market is complementary to the optics market in that many of the same core optical technologies have applications in sensors. Additionally, the sensors market uses a number of market-specific manufacturing processes. We believe that outsourcing in the sensors market historically has been limited due to the lack of a partner with acceptable market-specific technological capability to address these specialty products. We believe that this large market presents a substantial growth opportunity for us.
- **Extend Bulk Optical Materials and Components Vertical Integration:** The market for bulk optical materials and components, such as glass, crystals, prisms, lenses, laser components and substrates, varies from high-volume, low-margin products, such as those for consumer applications, to low-volume, custom products that command high margins and high average selling prices. Through our CASIX and VitroCom subsidiaries, we have expanded into the market for custom bulk optical materials and components and have built leading positions in a number of key bulk optical materials and components segments. We intend to invest substantial resources to continue to grow our bulk optical materials and components research and development capacity and product portfolio over time. We have also leveraged our customer relationships in the optics and sensors markets to extend our market share in the bulk optical materials and components market. We believe that by combining our leadership in providing foundry services for optical component and sensor companies with the vertical integration of custom bulk optical materials and components and other precision components, we have a significant opportunity to continue to gain market share.

- **Leverage Demonstrated Acquisition Track Record:** We believe that our disciplined strategy in evaluating potential acquisition targets provides us with a significant opportunity to expand our target markets and accelerate our opportunity for organic growth. We have a demonstrated track record of executing and successfully integrating acquisitions, such as our acquisitions of CASIX and VitroCom, to expand our target markets and our vertical integration. The bulk optical materials and components market remains highly fragmented and offers substantial consolidation opportunities that are consistent with our foundry business model. The scale of our optics and sensor foundry business provides substantial potential opportunities for bulk optical materials and components and other precision component products that we can cross-sell to our existing customer base.

Optical and Electro-Mechanical Foundry Services

We are a leading provider of foundry services to optics OEMs. Our services are based on precision optical and electro-mechanical process technologies and know-how that we have obtained through our focus on the industry since our inception in early 2000. We currently manufacture, assemble and test products for our customers in our main facilities in Bangkok, Thailand, and we design and manufacture our own bulk optical materials and components at our facilities in Fuzhou, the PRC and New Jersey.

After reviewing our customer's product design for cost and manufacturability, we assemble a prototype product using the same production line and the same team that will be used for volume production. During this process, our engineers work closely with our customers to enhance production efficiency. During the prototype design phase, we prepare manufacturing documentation and purchase long lead time components to attempt to reduce manufacturing delays later in the process. If the customer contract relates to a product for which production is being transferred from the customer's in-house operations to one of our own facilities, we first set up a production process identical to the one used by our customer and attempt to stabilize yields. We often work with our customer to redesign the process to improve efficiency, reduce costs or improve yields. Process improvements may include reducing the number of parts, simplifying the assembly process, utilizing standard parts and optimizing manufacturing lines. Capital equipment that is unique to specific customers' products or production processes are generally consigned from the customer to us in order, which in turn reduces our fixed capital costs.

Our expertise in materials management often allows us to further reduce costs and cycle times for our customers. Procurement and materials management includes the planning, purchasing, expediting, warehousing and financing of the required materials and components. We purchase components from hundreds of suppliers, many of whom are designated by our customers. These purchases are generally governed by our customer agreements, which match orders to their authorization and generally shift the risk for over-ordering or obsolescence to our customers. We employ a sophisticated, automated manufacturing resources planning system and enhanced electronic data interchange, or EDI, capabilities to manage our inventory. We have implemented specific inventory management strategies with some suppliers that enable us to use inventory on an as-needed basis and provide on-site stocking programs.

Our assembly activities primarily consist of assembling optical components, modules and subsystems, and in some cases manufacturing and packaging products directly for shipment to our customers' customers. We offer computer-aided testing of assembled products, which we believe contributes significantly to our ability to deliver high-quality products on a consistent basis and reduces the risk that we will be required to replace defective products. We work with customers to develop product-specific test strategies. We also provide a variety of test management services, including material and process testing and reliability testing. In addition to providing yield, manufacturing data tracking and other information, our data tracking system also performs process route checking to ensure that the products follow all correct process steps, and the test results meet all the specified criteria. We also work with customers to develop product-specific test strategies. Our test capabilities include traditional PCB assembly testing and optical testing, which includes parametric testing, such as insertion loss, return loss and extinction ratio, and functional testing (e.g., bit error ratio).

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We employ continuous flow manufacturing and statistical process control. We have also customized our software platform to address low-volume, high-mix manufacturing requirements. All aspects of our manufacturing activities are supported with advanced computerized control and monitoring systems. Component inspection, quality, materials planning, purchasing, stockroom and shop floor control systems are all monitored on a real-time basis. Customers can remotely access our computer systems to monitor yields, inventory positions, work-in-progress status and vendor quality data.

Bulk Optical Materials and Components

We also design and manufacture a number of bulk optical materials and components for sale to our foundry customers and to third parties. Our bulk optical materials and components are generally customized for customer-specific applications. We believe our capabilities in this area are complementary to our foundry services. Our close working relationship with our foundry customers gives us direct access to our customers' engineers in order to cross-sell our bulk optical materials and components. In addition, we believe we can provide our foundry customers meaningful supply chain efficiencies by supplying them with our bulk optical materials and components. Our bulk optical materials and components include:

- *Telecom Optics*: Includes C-lens, waveplates, and prisms used for telecommunications applications.
- *Storage Optics*: Includes mirrors, polarizing beam splitters, or PBS, and waveplates incorporated in optical storage products.
- *Surveying Optics*: Includes penta prisms, corner cubes, and PBS penta prisms incorporated in precision surveying products.
- *Telecommunication Subassemblies*: Includes fiber tube assemblies and collimators. These subassemblies are used in many fiber optic components such as isolators, circulators, optical switches and three-port filters.
- *Fiber Optic Ferrules and Alignment Sleeves; Fiber Optic Substrates; Various Tubings, Capillaries and Rods*: These products are used in optical communications, medical and industrial applications.

Technology

We use a broad array of optical and electro-mechanical manufacturing technologies, including technologies that we believe are among the most advanced in the industry. We believe that we support a broader array of process technologies than any other company providing foundry services to the optical industry. We intend to continue to offer our customers advanced, automated and continuous flow manufacturing process technologies. We continue to refine our existing manufacturing processes and expand the scope of processes that we support in order to continually expand the scope of products for which we can provide optical foundry services to our customers. In addition, we invest time and resources to develop our bulk optical materials and component technological capabilities, including capabilities in the areas of crystal growth, crystal and glass processing, optical coating, optical assemblies and glass drawing. We intend to continue to expand our bulk optical research and development capabilities to extend our product portfolio and continue to gain share in this market.

Optical and Electro-mechanical Process Technologies

We use a variety of optical and electro-mechanical process technologies that are either licensed to us by our customers or developed by us in house. In addition, our manufacturing services use a number of internally developed operational systems which we believe provide our customers with improved efficiency. These technologies and systems include the following:

- *Material and Process Analysis*: Our material and process laboratory analyzes materials to support failure analysis, incoming inspection, process development, process monitoring and verification of compliance with the applicable environmental standards. Our materials science capabilities allow us to

identify alternative sources of components, analyze the root cause of any problems that arise, and help develop and verify certain manufacturing processes. These in-house capabilities enable us to quickly resolve technical problems or to prevent issues in a timely manner.

- *Precision Optical and Electro-mechanical Assembly:* As a result of our heritage in the disk drive industry, our team has extensive experience in precision mechanical assemblies in clean room environments, clean room control discipline, cleaning technologies and ESD protection. This experience is directly applicable to optical components and enables us to provide high-quality, performance products to our clients that meet their specifications and needs.
- *Fiber Metallization and Lensing:* We use our fiber metallization and fiber lensing capabilities to assist our customers to package their products. Many optical component package designs require metallized fiber and some designs also require lensing at the tip of the fiber. We have in-house capabilities that enable us to produce these products at a low cost, with short lead times and high quality.
- *Fiber Handling and Alignment:* The technique with which optical fiber is handled can have a significant impact on the functionality and reliability of optics products due to damage or flaws introduced to the fiber surface or to improper alignment. We have implemented a number of techniques to avoid stressing or otherwise damaging fiber during stripping, cleaving and connectorization and to achieve optimal alignment of fiber in these processes.
- *Advanced Optical Packaging:* Our team has extensive experience in designing packaging solutions to improve our customers' product performance, quality, reliability and manufacturing yields. In many cases, we partner with our customers to custom-develop specialized packaging solutions for their optics and sensor products.
- *Reliability Testing:* Our reliability laboratory enables us to test the degree to which our results and specifications conform to our customers' requirements. Through the conformity laboratory, we are able to perform most of the tests required by industry standards, including damp heat, thermal aging, thermal shock, temperature cycling and shock and vibration. We believe many of our customers do not own a conformity laboratory and would be required to seek these services from third parties if we did not provide them.
- *Optical Testing:* Our team has experience testing most optical components, including experience with both parametric and functional tests. These optical tests cover products such as optical amplifiers, lasers, modulators and transceivers. In certain instances, we are also able to help our customers develop their own proprietary software and test fixturings.

Bulk Optical Materials and Components

We have built a leading position in a number of key bulk optical materials and components segments. The following core technological capabilities have assisted our growth in this market:

- *Crystal Growth:* Our crystal growth technology produces non-linear optical crystals and crystals used in laser applications. These crystals include YVO₄, Nd:YVO₄, Nd:GdVO₄, BBO, AlphaBBO, KTP, Nd:YAG.
- *Crystal and Glass Processing:* Our processing capabilities include dicing, grinding, polishing and inspection with high dimension, tolerance and surface quality.
- *Optical Coating:* We provide a wide variety of coating from simple single layer anti-reflection coatings to complex multi-layer stacks. The types of coating we provide include anti-reflection, partial reflection and high reflection.
- *Optical Assemblies:* We have capabilities in optics bonding assemblies, optics/crystal assemblies and various fiber optic assemblies, and in subassemblies such as fiber tube assemblies, collimators, and interleavers.

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- *Glass Drawing:* Our glass drawing capabilities produce custom and standard glass tubes and rods, including borosilicate, clear fused quartz, and synthetic fused silica glass tubing and rods with precise dimensions and tolerances.

Customers, Sales and Marketing

Our customers are leading providers of optics, as well as certain manufacturers of sensors. Our customers include seven of the ten largest optics companies worldwide in terms of revenue in 2006, according to Ovum-RHK. We have focused on establishing long-term relationships with customers and have been successful in expanding our relationships to incorporate additional product lines and services. We work closely with our customers to create a series of processes that fit their highly customized production requirements.

The market we serve is highly concentrated, so we expect that the majority of our revenues will continue to come from a limited number of customers. In particular, our top five customers represented 75%, 71% and 93% of our total revenues during fiscal 2007, 2006 and 2005, respectively. To mitigate this customer concentration, we are focused on working closely with our customers on the development of new products and techniques for producing the highest possible yields. We are also actively engaged in efforts to diversify our target industries and customer base through acquisitions and organic growth. Our expansion into the sensors market is an example of our diversification strategy. Today, we produce sensors for the medical, automotive and measurement industries and are working to expand our current customer relationships to include additional product lines and services.

Supply agreements with our customers generally have an initial term of two to three years, with automatic annual renewal terms unless terminated with notice prior to the next annual renewal period. These arrangements often govern the manufacture of products that were previously produced internally by our customer. These contracts generally include provisions for consigning unique production equipment to us, for protecting us from carrying obsolete inventory and for sharing of initial benefits from cost-savings derived from yield improvements. However, these agreements typically do not specify a minimum purchase amount.

The production of optics is characterized by long lead times and a lengthy qualification process. In particular, the qualification and field testing of the products that we produce for our customers typically takes six months to a year or longer to complete. Further, generally we must qualify our production process with our customers, and the products that we manufacture must also meet the product quality requirements of our customers' customers. While most of our customers do not purchase our foundry services until they qualify our foundry services and satisfactorily complete factory audits and vendor evaluations, we produce a test run of their products necessary to demonstrate that the products that we produce will meet our customers' qualification standards in advance of receiving an order. As part of this process, our engineers work closely with the customer's procurement teams. In certain instances, we believe that the two-step qualification process involved with many of the optical foundry services that we provide acts as a barrier to entry.

We believe that the close relationships that we develop with our customers throughout the qualification process, together with our continued qualified solution provider status, facilitate a better understanding of our customers' time-to-market, technology and cost requirements. We also believe that our deep customer relationships result in new business opportunities by enabling us to identify and capture additional revenue streams which could arise from the production of our customers' new products.

Our operations and marketing teams manage product introductions, strategy and roadmaps, new product definitions, lifecycle management, demand forecasting and competitive analysis. Our marketing team and our sales, development and operations teams work closely together to ensure that their respective activities are well coordinated and designed to meet our objectives. Our close relationship with our customers allows us to work with them to supplement our marketing efforts. To heighten industry awareness, we employ a range of communications programs, including press releases announcing customer profiles, new product announcements, award recognition and other relevant information.

Backlog

We are substantially dependent on orders we receive and fill on a short-term basis. Although we often receive a 12-month forecast from our customers, our customer contracts do not provide any assurance of future sales and sales are typically made pursuant to individual purchase orders that have short lead times and are subject to revision or cancellation. Because of the possibility of changes in delivery or acceptance schedules, cancellations of orders, returns or price reductions, we do not believe that backlog is a reliable indicator of our future revenues.

Quality

One of our strengths has been our ability to consistently deliver high-quality services and products. We have an extensive quality management system that focuses on continual process improvement and achieving high levels of customer satisfaction. We employ a variety of enhanced statistical engineering techniques and other tools to assist in improving product and service quality. In addition, we generally offer a warranty ranging from one to five years on the products that we assemble. Generally, this warranty covers our workmanship and is limited to the value of the product.

We have established a quality management system to assure that the products we provide to our customers meet or exceed industry standards. This system is based on the international standard ISO 9001. Our factories maintain the following certifications: ISO 9001:200 for Manufacturing Quality Systems, ISO 14001 for Environmental Quality Systems, TL9000 for Telecommunications Industry Quality Certification, TS16949: 2002 for Automotive Industry Quality Certification, and ISO 13485:2003 for medical devices and various additional standards imposed by the FDA with respect to the manufacture of medical devices.

In addition to these standards, we are committed to the deployment of lean manufacturing and our six sigma initiative throughout our manufacturing network. The implementation of lean manufacturing processes helps improve efficiency and reduce waste in the manufacturing process in areas such as inventory on hand, set up times and floor space and the number of people required for production, while six sigma ensures continuous improvement by reducing process variation.

Competition

Because of the precision and complexity associated with our existing and target markets, there are significant barriers to entry in the form of process know-how and a long sales cycle due to the need to demonstrate the capability to manufacture the particular component, sub-assembly or module and the ability to protect the customer's embedded intellectual property. Our overall competitive position depends upon a number of factors, including:

- our ability to use our engineering services and know-how to participate in the growth of emerging technologies;
- our manufacturing technologies and capacity;
- our range of services offered;
- the availability, performance and reliability of our foundry services;
- the quality of our manufacturing processes;
- cost;
- our responsiveness and flexibility;
- delivery cycles; and
- our ability to win designs through prototyping.

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Competitors in the market for optical foundry services include MMI Holdings Limited, Oplink Communications, Inc., SAE Magnetics (H.K.) Ltd. and Venture Corporation Limited, as well as the internal manufacturing capabilities of our customers. Our bulk optical materials and components production operations face competition from companies such as Alps Electric Co., Ltd., Browave Corporation, Fujian Cstech Crystals, Inc. and Photop Technologies, Inc. We believe we are unique among our competitors because we do not compete with our customers, allowing us to establish a closer relationship with our customers. While larger existing contract design companies or outsourced semiconductor assembly and test companies could also enter our target markets, most of these companies tend to focus on less specialized printed circuit board assembly, system assembly and packaging activities.

Intellectual Property

We regard our manufacturing processes and electronic designs as proprietary intellectual property. To protect our proprietary rights, we rely largely upon a combination of trade secrets, non-disclosure agreements with our customers, employees and suppliers, our internal security systems, confidentiality procedures and employee confidentiality agreements. We also use a factory-within-a-factory manufacturing process so that the intellectual property of our customers is not combined or inadvertently disclosed during production. Historically, patents have not played a significant role in the protection of our proprietary rights. Nevertheless, we currently have a relatively small but growing number of solely-owned and jointly-held patents in various technology areas, primarily relating to our CASIX bulk optical materials and components operations, and we believe that both our evolving business practices and industry trends may result in the continued growth of our patent portfolio and its importance to us, particularly as we expand our business activities. Important factors include the knowledge and experience of our management and personnel and our ability to develop, enhance and market manufacturing services.

We license some technology from our customers that we use in providing manufacturing and design services to those customers. Generally, our customer agreements grant us non-exclusive worldwide licenses with respect to the use of our customers' technology solely for the assembly of their products.

Environmental Regulation

We are subject to various foreign, federal, state and local laws and regulations relating to the storage, use, discharge and disposal of toxic or otherwise hazardous or regulated chemicals or materials used in our manufacturing processes. To date, such laws and regulations have not materially affected our capital expenditures, earnings or competitive position. We do not anticipate any material capital expenditures for environmental control facilities for the foreseeable future. While to date we are not aware of any material exposures, there can be no assurance that additional environmental matters will not arise in the future or that costs will not be incurred with respect to sites as to which no problem is currently known.

Certain environmental laws impose liability for the costs of removal or remediation of hazardous or toxic substances on an owner, occupier or operator of real estate, even if such person or company was unaware of or not responsible for the presence of such substances. In addition, in some countries in which we have operations, any person or company who arranges for the disposal or treatment of hazardous or toxic substances at a disposal or treatment facility may be liable for the costs of removal or remediation of such substances at such facility, whether or not the person or company owns or operates the facility.

In addition, our Thailand facilities are subject to a variety of environmental regulations specific to Thailand. In Thailand, the Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992), or NEQA, empowers the Thai Minister of Industry to designate point sources of air, noise and water pollution that will be required to meet emission or effluent standards created under the NEQA or other laws such as The Factories Act B.E. 2535 (1992). Point sources, such as our facilities in Pinehurst and Chokchai, are required to comply with the emissions standards prescribed by the National Environment Board established under NEQA and other applicable authorities. Designated point sources must either establish their own waste treatment facilities or arrange to send their waste to central waste treatment facilities where they are charged a fee for those treatment services.

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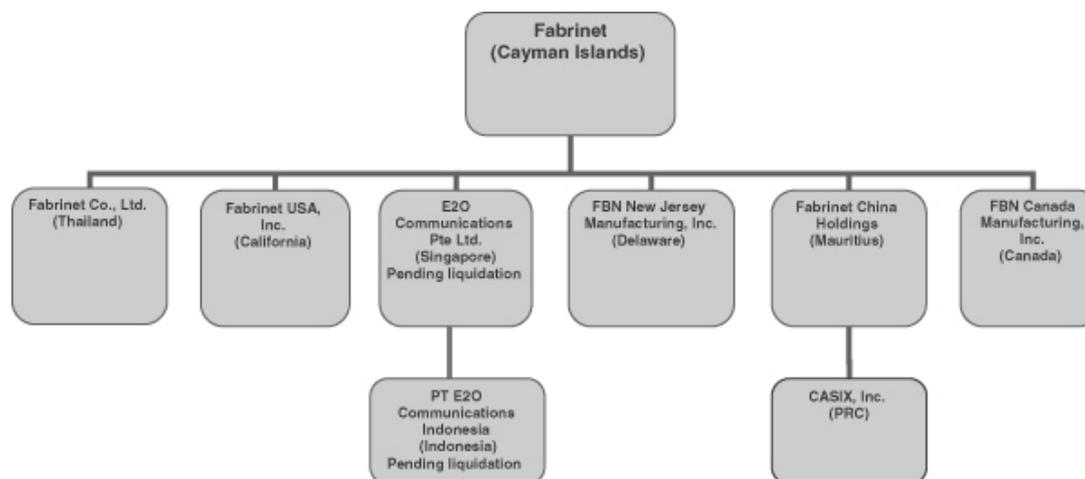
The penalty for non-compliance with NEQA's provisions is, generally, the cost of daily waste treatment multiplied by four, including fine and imprisonment, the latter penalty of which may also be imposed on the directors or managers if the violator is the juristic entity. Designated point sources, such as our facilities in Pinehurst and Chokchai, are required to provide monthly reports to local officials and representatives of the Pollution Control Department on the daily functioning of their treatment facilities. NEQA includes numerous substantial liability and penalty provisions, including a provision which applies strict liability for any injury or damage suffered by private parties as a result of the activities of a polluter. Further, private parties who damage natural resources owned by the government are liable for the full amount of clean up costs.

Each of our plants, to the extent required by law, operates under environmental permits issued by the appropriate governmental authority. These permits must be renewed periodically and are subject to revocation in the event of violations of environmental laws. Any such revocation could require us to cease or limit production at one or more of our facilities.

In addition, many of our target markets are subject to the European Union's Directive 2002/95/EC on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, or RoHS, and the European Union's Directive 2002/96/EC on Waste Electrical and Electronic Equipment, or WEEE. Parallel initiatives are being proposed in other jurisdictions, including several states in the U.S. and the PRC. RoHS prohibits the use of lead, mercury and other specified substances in new electrical and electronic products, and WEEE requires industry producers (which include OEMs and extends, in some cases, to retailers) to assume responsibility for the collection, recycling and management of waste products and components.

Corporate Structure

We were organized under the laws of the Cayman Islands in August 1999 and commenced our business operations in January 2000. We acquired our first factory from Seagate Technology, a disk drive manufacturer. This acquisition included approximately 1,400 people with experience and skills in the manufacture of complex electro-mechanical products, a base which we leveraged for use in our current production of optics and sensors. We have a total of eight direct and indirect subsidiaries. All of these direct and indirect subsidiaries, other than our Thai subsidiary, are wholly-owned. We own 99.99% of Fabrinet Co., Ltd., and the remaining 0.01% of that entity is owned by Mr. Mitchell, certain of his relatives and certain of his family members. During 1999, we formed Fabrinet Co., Ltd. and incorporated Fabrinet USA, Inc. We incorporated or acquired E2O Communications Pte Ltd. and PT E2O Communications Indonesia during 2004, FBN New Jersey Manufacturing, Inc., Fabrinet China Holdings and CASIX, Inc. during 2005 and FBN Canada Manufacturing, Inc. during 2006. The following diagram illustrates our corporate structure:



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As the parent company, we enter into all contracts with our customers, and have entered into various inter-company agreements with some of our subsidiaries. Pursuant to one of these inter-company agreements, our California subsidiary provides administrative services to us. We also have inter-company agreements with our Thai subsidiary and our Delaware subsidiary providing for manufacturing services from the subsidiaries to us and our customers. Our agent for service of process in the U.S. is Corporation Service Company, 1090 Vermont Avenue, N.E., Suite 430, Washington, D.C. 20005 and its telephone number at that address is (800) 927-9800.

Employees

As of September 30, 2007, we had approximately 5,075 full-time employees located in Thailand, the PRC, the U.S. and Canada. As of September 30, 2007, we had approximately 4,150 full-time employees located in Thailand, approximately 4,000 of whom were engaged in operations and 150 of whom were engaged in general and administration. As of September 30, 2007, we had approximately 880 full-time employees located in the PRC, approximately 830 of whom were engaged in operations and 50 of whom were engaged in general and administration. As of September 30, 2007, we had approximately 45 full-time employees located in the U.S., approximately 35 of whom were engaged in operations and 10 of whom were engaged in general and administration. We also have two general and administrative employees in Canada. Of our more than 600 technical employees, 31% hold advanced degrees and 7% hold doctorate degrees. None of our employees are represented by a labor union. We have not experienced any work stoppages, slow downs or strikes. We consider our relations with our employees to be good. Our employees have been employed by us for an average of approximately five consecutive years.

Facilities

We have facilities located in Bangkok, Thailand, Fuzhou, PRC and New Jersey, USA that are devoted to administrative, engineering, production and warehouse functions, as set forth below:

<u>Location</u>	<u>Year Operations Commenced</u>	<u>Owned/Leased</u>	<u>Approximate Square Footage</u>
Chokchai Campus, Bangkok, Thailand (Buildings 1 and 2)	2000	Leased until April 30, 2014	227,000 square feet
Pinehurst Factory, Bangkok, Thailand (Buildings 3 and 4)	2004 (Building 3) and 2005 (Building 4)	Owned*	288,000 square feet
CASIX, Fuzhou, PRC	2005	Leased**	219,000 square feet
VitroCom, Mountain Lakes, New Jersey, USA	2005	Leased until June 30, 2010	20,000 square feet
Pinehurst Factory, Bangkok, Thailand (Building 5)	Completion expected during the second quarter of fiscal 2008	Owned*	305,000 square feet expected

* Although we hold title to Buildings 3 and 4 at our Pinehurst facility, and expect to hold title to Building 5 at our Pinehurst facility when it is completed, each of those buildings and the underlying land is encumbered by a mortgage which secures our debt obligations to TMB Bank Public Company Limited.

** The lease periods for the buildings located at this facility expire on July 31, 2008, August 4, 2008 and October 7, 2008.

Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising in the ordinary course of our business. There are currently no material claims or actions pending or threatened against us.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the name, age and position of each of our directors and executive officers as of September 30, 2007:

<u>Name</u>	<u>Age</u>	<u>Position*</u>
David T. Mitchell	65	Chief Executive Officer, President and Chairman of the Board of Directors
Dr. Teera Achariyapaopan	52	Chief Operating Officer; Executive Vice President of Fabrinet Co., Ltd.
Dr. Harpal Gill	54	Executive Vice President, Operations of Fabrinet USA, Inc. and Fabrinet Co., Ltd.
Nat Mani	43	Executive Vice President, Sales & Marketing of Fabrinet USA, Inc.
Mark J. Schwartz	40	Chief Financial Officer and Secretary; Executive Vice President of Fabrinet USA, Inc.
Mark A. Christensen	48	Director
Dr. Ta-lin Hsu	64	Director
Dr. Frank H. Levinson	54	Director
Rollance E. Olson	64	Director
Virapan Pulges	46	Director

* Unless otherwise noted, all positions are with Fabrinet.

David T. (Tom) Mitchell has served as our Chief Executive Officer, President and Chairman of our board of directors since 2000. Mr. Mitchell founded Seagate Technology, a disk drive manufacturing company, in 1979. Mr. Mitchell served as the president of Seagate Technology from 1983 to 1991, where he established manufacturing operations in Singapore, Thailand, Malaysia, the PRC and India. Mr. Mitchell earned a bachelor of science degree in economics from Montana State University.

Dr. Teera Achariyapaopan has served as our Chief Operating Officer and as Executive Vice President of Fabrinet Co., Ltd. since 2004 and as Senior Vice President for Operations and Managing Director of Thailand Operations of Fabrinet Co., Ltd. from 2000 to 2004. From 1988 to 1998, Dr. Achariyapaopan served as the executive director of engineering for Seagate Technology, a disk drive manufacturing company, in Thailand where he was responsible for all aspects of manufacturing and engineering, including product transfers, yield and process improvements and cost reductions. From 1984 to 1988, Dr. Achariyapaopan served as a member of the technical staff with Bell Communications Research in New Jersey. Dr. Achariyapaopan earned a doctor of philosophy degree in electrical engineering from the University of Florida.

Dr. Harpal Gill has served as Executive Vice President, Operations of Fabrinet USA, Inc. and Fabrinet Co., Ltd. since May 2005. Prior to joining us, from July 2003 to January 2005, Dr. Gill served as the senior vice president of engineering for Maxtor Corporation, a disk drive manufacturer. From January 1999 to July 2003, Dr. Gill served as the vice president of engineering for Read Rite Corporation, a supplier of magnetic recording heads for data storage devices, in Bangkok, Thailand. From June 1996 to October 1998, Dr. Gill served as the managing director of JTS Corp., a disk drive manufacturer, in Chennai (Madras), India. Dr. Gill has also held senior management positions with Seagate Technology and Stanton Automation. Dr. Gill earned a bachelor of science degree in mechanical engineering from Brunel University in the United Kingdom and a doctor of philosophy degree in engineering from the University of Bradford in the United Kingdom.

Nat Mani has served as Executive Vice President, Sales & Marketing of Fabrinet USA, Inc. since June 2006 and as Senior Vice President, Business Development of Fabrinet USA, Inc. from 2003 to June 2006. Mr. Mani

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manages worldwide business development activities for us. Prior to joining us, from 1997 to 2001, Mr. Mani held management positions in strategy and business planning with International Business Machines Corporation, Radius Inc. and Siemens. Mr. Mani earned a master's degree in management studies from Birla Institute of Technology and Science and a master's degree in business administration from Tulane University.

Mark J. Schwartz has served as our Chief Financial Officer and Secretary and as Executive Vice President of Fabrinet USA, Inc. since March 2004. Mr. Schwartz was previously our Secretary and the Senior Vice President, Global Finance of Fabrinet USA, Inc., from May 2000 to March 2004. Mr. Schwartz manages our finance functions, global contracts and corporate compliance. Prior to joining us, from 1997 to May 2000, Mr. Schwartz practiced corporate law at Morgan Franich, Fredkin & Marsh in San Jose, California where he specialized in corporate finance, mergers and acquisitions and technology licensing. Mr. Schwartz earned a bachelor of business administration degree from the University of Miami and a juris doctor degree from the University of San Diego.

Mark A. Christensen has served on our board of directors since 2005. Mr. Christensen has served as the president of Global Capital Management, a consulting firm to high tech companies, since he established it in February 2005. From November 2001 to January 2005, Mr. Christensen served as the vice president and director of mobile and communications sectors at Intel Capital, where he was responsible for managing Intel Capital's wired, wireless and optical networking equity investments and merger and acquisition activities. From 1995 to 2001, Mr. Christensen served as the vice president and group general manager for the network communications group at Intel Corporation, a semiconductor manufacturing company. Prior to that, Mr. Christensen held various positions at Intel Corporation since 1982. Mr. Christensen is a member of the board of directors of Pixelworks, Inc. and two privately-held companies, Gigle Semiconductor, Inc. and Celio Technology Corporation. Mr. Christensen earned a bachelor of science degree in industrial and manufacturing engineering from Oregon State University and a master's degree in business administration from the University of Oregon.

Dr. Ta-lin Hsu has served on our board of directors since 1999. Dr. Hsu joined Hambrecht & Quist, an investment banking firm, as a general partner in 1985 and founded H&Q Asia Pacific, a private equity firm, in that same year. Before Hambrecht & Quist, he worked at International Business Machines Corporation for 12 years. In his last position in senior management, Dr. Hsu held corporate responsibility for all of IBM's advanced research in mass storage systems and technology. From 1971 to 1973, Dr. Hsu was a staff scientist in the material research center of Allied Chemical. Dr. Hsu plays an active role in developing investment and technology relationships between the U.S. and Asia, and holds numerous advisory positions with governmental and industry organizations. Dr. Hsu was a founding member of the Technology Review Board, which was founded to advise the Executive Yuan of Taiwan on technology matters. Dr. Hsu also serves as an Advisory Board Member of the Haas School of Business at the University of California, Berkeley, a Member of the Council on Foreign Relations, and a Member of the Board of Trustees of The Asia Foundation. Dr. Hsu earned a bachelor of science degree in physics from the National Taiwan University, a master's degree in electrophysics from the Polytechnic Institute of Brooklyn and a doctor of philosophy degree in electrical engineering from the University of California, Berkeley.

Dr. Frank H. Levinson has served on our board of directors since 2001. Since 2006, Dr. Levinson has served as the managing director of Small World Group, PTE Ltd., a non-profit organization. From August 1999 to January 2006, Dr. Levinson served as the chairman of the board of directors and chief technical officer of Finisar Corporation, a provider of fiber optic components and network performance test and monitoring systems. From 1988 to 1999, Dr. Levinson served as the chief executive officer of Finisar. From January 1986 to February 1988, he served as the optical department manager at Raynet, Inc., a fiber optic systems company and, from April 1985 to December 1985, Dr. Levinson served as the chief optical scientist at Raychem Corporation. From January 1984 to July 1984, he was a member of the technical staff at Bellcore, a provider of services and products to the communications industry. From 1980 to 1983, Dr. Levinson served as a member of the technical staff at AT&T Bell Laboratories. Dr. Levinson is a member of the board of directors of Finisar. Dr. Levinson earned a bachelor of science degree in mathematics and physics from Butler University and a master's degree in astronomy and a doctor of philosophy degree in astronomy from the University of Virginia.

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Rollance E. Olson has served on our board of directors since 2004. Since 1986, Mr. Olson has served as chief executive officer of Parts Depot Inc., a wholesale automotive replacement parts and supplies business in Salem, Virginia. From 1980 to 1985, Mr. Olson served as the president of Brake Systems, Inc., and from 1973 to 1980, Mr. Olson served in various positions at Bendix Corporation, an automotive safety brake and control systems company, including as general manager of the fram/autolite division, general manager of the Bendix automotive aftermarket division and corporate staff consultant. From 1968 to 1973, Mr. Olson served as a management consultant and project leader of Booz, Allen & Hamilton, a management and technology consultant firm. Mr. Olson earned a bachelor of arts degree from the University of Minnesota.

Virapan Pulges has served on our board of directors since 2000. From 1990 to 2005, Mr. Pulges served as the managing director of H&Q (Thailand) Ltd., a private equity firm, where he was responsible for investments in Thailand. Mr. Pulges is currently a consultant to H&Q Asia Pacific for its investments in Thailand and the Managing Director of TICON Industrial Connection Public Co., Ltd., an industrial property development company. Mr. Pulges has also served on the boards of directors of SVI Public Co., Ltd., Thai Cane Paper Public Co., Ltd. and TICON Industrial Connection Public Co., Ltd. Prior to joining H&Q (Thailand) Ltd., from 1983 to 1989, Mr. Pulges was the assistant managing director of Thai Seri Cold Storage Co., Ltd., a frozen seafood processing and exporting company. Mr. Pulges serves as a director and the secretariat of Thai Venture Capital Association, or TVCA. Mr. Pulges was a founding member of TVCA in 1996 and, from 1999 to 2005, he served as a director and the president of TVCA. Mr. Pulges is a director and the treasurer of the Singapore-Thai Chamber of Commerce. Mr. Pulges earned a bachelor of science degree with special honors in electrical engineering and computer science and a master's degree in electrical engineering from the University of Colorado, Boulder.

Composition of the Board of Directors

Terms of Our Directors and Executive Officers

Our directors hold office until the next annual meeting of shareholders or until their successors have been duly elected and qualified unless removed in accordance with our amended and restated memorandum and articles of association. As of the closing of our initial public offering, our board of directors will be divided into three classes of directors, each serving staggered three-year terms, as follows:

- Class I will consist of Messrs. [] and [], whose terms will expire at the annual meeting of shareholders to be held in 2008;
- Class II will consist of Messrs. [], and [], whose terms will expire at the annual meeting of shareholders to be held in 2009; and
- Class III will consist of Messrs. [] and [], whose terms will expire at the annual meeting of shareholders to be held in 2010.

Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of shareholders in the year in which that term expires. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Our officers are elected by and serve at the discretion of our board of directors.

Duties of Our Directors

Under Cayman Islands law, our directors have a fiduciary duty to act in what they consider to be our company's best interests. Our directors also have a duty to act with skill and care. In fulfilling their duty of care to us, our directors seek to ensure compliance with our amended and restated memorandum and articles of association.

The functions and powers of our board of directors include, among others:

- convening shareholders' meetings and reporting its work to our shareholders at such meetings;

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- implementing shareholders' resolutions;
- determining our business plans and investment proposals;
- formulating our profit distribution plans and loss recovery plans;
- determining our debt and finance policies and proposals for the increase or decrease in our registered capital and the issuance of debentures;
- formulating our major acquisition and disposition plans, and plans for merger, division or dissolution;
- proposing amendments to our amended and restated memorandum and articles of association; and
- exercising any other powers conferred at our shareholders' meetings or under our amended and restated memorandum and articles of association.

Director Independence

Our board of directors has reviewed the materiality, either directly or indirectly, of any relationship between us and each of our directors. Based on this review, our board of directors has determined that [], [] and [] are "independent directors" as defined by the rules of the New York Stock Exchange and the Securities and Exchange Commission. The rules of the New York Stock Exchange require that a majority of the members of board of directors of a listed company be independent directors, as defined by the rules of the New York Stock Exchange. Our board of directors currently consists of [] directors who qualify as independent under those standards. During the first 12 months after the date that our ordinary shares are first listed on the New York Stock Exchange, we will be exempt from the New York Stock Exchange requirement that a majority of our board be comprised of independent directors in accordance with New York Stock Exchange rules.

Committees of our Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below. The rules of the New York Stock Exchange require that the audit committee consist of at least three members of our board of directors, each of whom must be independent, as established under the rules of the New York Stock Exchange and the Securities and Exchange Commission.

Audit Committee

Our audit committee currently consists of [], [] and []. Our board of directors has determined that [] is an "audit committee financial expert," as that term is defined by the Securities and Exchange Commission. Our board of directors has determined that all of our audit committee members are "independent directors" within the meaning of the rules of the New York Stock Exchange and also meet the additional criteria for audit committee members set forth in Rule 10A-3(b)(1) of the Securities and Exchange Act of 1934, as amended, or the Exchange Act.

Our audit committee will be responsible for, among other things:

- pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- annually reviewing our independent auditors' report describing the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality control review, or peer review, of our independent auditors and all relationships between our independent auditors and our company;
- setting clear hiring policies for employees or former employees of our independent auditors;

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- reviewing with our independent auditors any audit problems or difficulties and management’s response;
- reviewing (and approving or rejecting) all proposed related-party transactions, as defined in Item 404 of Regulation S-K promulgated under the Exchange Act;
- discussing the annual audited financial statements with management and our independent auditors;
- discussing with management and our independent auditors major issues regarding accounting principles and financial statements;
- reviewing reports prepared by management or our independent auditors relating to significant financial reporting issues and judgments;
- discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- discussing policies with respect to risk assessment and risk management;
- reviewing major issues as to the adequacy of our internal controls (including any significant deficiencies);
- reviewing reports from our independent auditors regarding all critical accounting policies and practices used by our company, all alternative treatments of financial information within GAAP that have been discussed with management and all other material written communications between our independent auditors and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately, periodically, with management, our internal auditors and independent auditors;
- reporting regularly to our board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee

Our compensation committee currently consists of [] and []. Our board of directors has determined that all of our compensation committee members are “independent directors” within the meaning of the rules of the New York Stock Exchange.

Our compensation committee will be responsible for, among other things:

- reviewing and determining the compensation of our chief executive officer;
- reviewing our compensation policies and forms of compensation provided to our directors and officers;
- reviewing and determining bonuses for our officers and other employees;
- reviewing and determining share-based compensation for our directors;
- administering our equity incentive plans; and
- such other matters that are specifically delegated to our compensation committee by our board of directors from time to time.

Compensation Committee Interlocks and Insider Participation

During fiscal 2007, our board of directors did not have a compensation committee or other committee performing a similar function. Mr. Mitchell, our chief executive officer, president and chairman of our board of directors, participated in deliberations of our board of directors concerning executive officer compensation. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee currently consists of [] and []. Our board of directors has determined that all of our nominating and corporate governance committee members are “independent directors” within the meaning of the rules of the New York Stock Exchange.

Our nominating and corporate governance committee will be responsible for, among other things:

- selecting, or recommending that our board of directors select, the director nominees for each annual meeting of shareholders and the committee nominees; and
- developing and recommending to our board of directors a set of corporate governance principles applicable to our company.

Disclosure Committee

We also have established a disclosure committee, which is comprised of certain members of senior management. Pursuant to our disclosure committee’s charter, which was ratified by our board of directors, the disclosure committee is responsible for adopting, evaluating and overseeing our disclosure controls and procedures and internal financial controls.

Corporate Governance

Our board of directors has adopted a code of ethics, which is applicable to our senior executives and finance group. In addition, our board of directors has adopted a code of conduct, which is applicable to all of our directors, officers and employees. We will make our code of ethics and our code of conduct publicly available on our website.

Employment Agreements

We and certain of our subsidiaries have entered into employment agreements with Mr. Mitchell, Dr. Acharyapaopan, Dr. Gill, Mr. Mani and Mr. Schwartz that provide the general terms and conditions of their employment. Each employment agreement is described below.

David T. (Tom) Mitchell. On January 1, 2000, we entered into an employment agreement with Mr. Mitchell, pursuant to which Mr. Mitchell serves as our Chief Executive Officer. The original term of the agreement ended on December 31, 2005; however, as permitted under the terms of the agreement, we have mutually agreed that Mr. Mitchell will continue his employment under the terms of the agreement. The agreement provided for an initial annual base salary of \$450,000 per year, subject to annual adjustment. In addition, Mr. Mitchell is eligible to receive bonus compensation in the form of an allocation from our profit sharing plan, as determined in the discretion of our board of directors. Bonus payments, if any, are made quarterly through the term of the agreement. Mr. Mitchell is eligible to participate in any benefit plan made generally available to our other senior executives. Subject to submission of an invoice or receipts, we have agreed to reimburse Mr. Mitchell for all reasonable travel, entertainment and other similar business expenses, including \$1,500 per month for reasonable expenses incurred by Mr. Mitchell with respect to maintaining and operating a home office.

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Mr. Mitchell may terminate his employment with us for any reason by providing written notice 90 days in advance. We may terminate Mr. Mitchell's employment at any time with or without notice. If we terminate Mr. Mitchell's employment without "cause" or he terminates his employment for "good reason," he will be entitled to receive a lump sum severance payment equal to two times his then-current base salary, plus accrued salary and declared but unpaid bonus and reimbursement of expenses, all subject to applicable tax withholdings.

For purposes of Mr. Mitchell's employment agreement, "cause" means Mr. Mitchell's (i) commission of any felony or any crime involving moral turpitude, (ii) willful breach of his duties to us, including, but not limited to, theft from us and failure to fully disclose personal pecuniary interest in a transaction involving us, or (iii) engaging in willful misconduct, willful or gross neglect, fraud, misappropriation, or embezzlement, in each case in the performance of his duties.

For purposes of Mr. Mitchell's employment agreement, "good reason" means (i) a material diminution during the term of the agreement in Mr. Mitchell's office, duties, or responsibilities (including following any change in control) or (ii) a material breach by us of the agreement. However, before terminating his employment for good reason, Mr. Mitchell must provide (i) reasonable written notice to our board of directors setting forth the reasons for his intention to terminate for good reason and (ii) an opportunity for our board of directors to meet with him, together with legal counsel, and cure such reason within 15 days after receipt of such notice.

Mr. Mitchell has agreed that, for a period of one year following the termination of his employment with us, he will not solicit our employees or independent contractors to leave our employment or intentionally interfere with our relationships with, or seek to solicit business from, our customers or clients.

Dr. Teera Achariyapaopan. On October 1, 1999, our Thai subsidiary entered into an employment agreement with Dr. Achariyapaopan to serve as Senior Vice President and Managing Director that provided for an initial annual base salary of \$250,000 with pay increases subject to individual performance, life and medical insurance and paid vacation. All of the amounts paid to Dr. Achariyapaopan are gross amounts with Mr. Achariyapaopan liable for any personal income tax which we may withhold. The agreement also provides for at least 30 days notice upon termination by either party. In addition, under applicable Thai law, Dr. Achariyapaopan is eligible for one month of severance for each year of his service to us.

Dr. Harpal Gill. On April 29, 2005, our California subsidiary offered Dr. Gill employment to serve as its Senior Vice President of Operations. Dr. Gill's offer letter was subsequently amended on February 14, 2007. The offer provided for an initial annual base salary of \$275,000 and an annual bonus opportunity based on mutually agreed upon targets. The offer also provided an initial option grant of 100,000 of our ordinary shares at an exercise price of \$1.75 per share and participation in our California subsidiary's benefit programs, including health benefits. 25 percent of the shares subject to the option vest one year after the date of grant and the remaining shares subject to the option vest over three years in equal monthly installments. In the event we terminate Dr. Gill's employment without "cause," he will receive severance equal to 12 months of his then-current base salary, medical coverage for 12 months following his termination of employment and any earned bonus, all subject to applicable tax withholdings.

In addition, on July 1, 2007, Dr. Gill entered into an employment agreement with our Thai subsidiary. Pursuant to the agreement, Dr. Gill serves as the Executive Vice President of Operations for the subsidiary. The agreement sets forth Dr. Gill's initial annual base salary as \$400,000, of which \$200,000 is paid by our Thai subsidiary and \$200,000 is paid by our California subsidiary. Dr. Gill may terminate his employment with our Thai and California subsidiaries for any reason by providing written notice 15 days in advance. We may terminate Dr. Gill's employment at any time with advanced written notice equal to one pay period.

Nat Mani. On January 8, 2001, our California subsidiary entered into an employment agreement with Mr. Mani to serve as Vice President of Business Development. Mr. Mani's employment agreement was subsequently amended on October 1, 2007. The employment agreement provided for an initial annual base salary of \$180,000, a

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bonus based upon targets and criteria determined by us, paid vacation and hotel, travel and other expenses reasonably and properly incurred upon receipt and in accordance with our expense policies. In the event we terminate Mr. Mani's employment without "good cause," he will receive severance equal to six months of his then-current base salary, medical coverage for six months following his termination of employment and any earned bonus, all subject to applicable tax withholdings. The agreement also provides for one month's notice upon termination by either party.

Mark J. Schwartz. On April 15, 2000, our California subsidiary entered into an employment arrangement with Mr. Schwartz to serve as Senior Vice President, Global Finance and Secretary. The offer provided for an initial annual base salary of \$180,000, and participation in the executive bonus compensation plan with such bonus based on our profitability, beginning with the fiscal quarter ending June 30, 2000. The offer also provided an initial option grant of 135,000 of our ordinary shares and participation in our benefit programs, including health benefits. We also reimburse Mr. Schwartz for overhead office, phone and facsimile expenses, cell phone usage and car lease expenses in connection with Mr. Schwartz performing his duties for us, as well as for legal certification, including bar association dues and continuing legal education, and other reasonable home office expenses. In the event we terminate Mr. Schwartz's employment, he is entitled to six months of base salary as a severance payment.

COMPENSATION DISCUSSION AND ANALYSIS**Fiscal 2007 Director Compensation**

The following table presents information regarding the compensation paid during fiscal 2007 to individuals who were members of our board of directors at any time during fiscal 2007 and who were not also our employees. We refer to those directors as non-employee directors. The compensation paid to any director who was also one of our employees during fiscal 2007 is presented below in the fiscal 2007 Summary Compensation Table and the related explanatory tables. Such employee-directors do not receive separate compensation for service on our board of directors.

Name	Fees Earned or Paid in Cash	Option Awards ⁽¹⁾	Total
Mark Christensen	\$ 12,000	\$ —	\$12,000
Dr. Ta-lin Hsu	—	—	—
Dr. Frank Levinson	—	—	—
Rollance Olson	12,000	—	12,000
Virapan Pulges	—	—	—
Enzo Signore ⁽²⁾	—	—	—
Deborah Shoquist ⁽³⁾	—	—	—

- (1) The following table presents the number of outstanding and unexercised options held by each of our non-employee directors as of June 30, 2007. There were no unvested stock awards held by any of our non-employee directors as of June 30, 2007.

Director	Number of Options Outstanding
Mark Christensen	17,500
Dr. Ta-lin Hsu	30,000
Dr. Frank Levinson	30,000
Rollance Olson	23,125
Virapan Pulges	30,000
Enzo Signore	—
Deborah Shoquist	—

- (2) Mr. Signore resigned from our board of directors in February 2007.
(3) Ms. Shoquist resigned from our board of directors in August 2007.

During fiscal 2007, compensation for non-employee directors not affiliated with any of our shareholders consisted of a fee of \$3,000 for each meeting of our board of directors attended in person or by telephone. Non-employee directors are also reimbursed for out-of-pocket expenses they incur serving as directors. Our directors did not receive an annual cash retainer or any equity awards or other form of compensation for their service as directors during fiscal 2007.

Compensation Discussion and Analysis

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to our principal executive and principal financial officers, and to our three other most highly compensated individuals who were serving as executive officers at the end of fiscal 2007. These individuals are referred to as the “Named Officers” in this prospectus.

To date, our current executive compensation programs have been determined and approved by David T. Mitchell, our Chief Executive Officer, or CEO, except that the executive compensation program of Mr. Mitchell was determined and approved by our board of directors. Our CEO is the only Named Officer serving as a member of our board of

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directors or responsible for determining the form or amount of compensation paid to our senior executive officers. Commencing with fiscal 2008, the executive compensation programs for all Named Officers will be determined by the compensation committee of our board of directors. In making its decisions, the compensation committee may retain independent compensation consultants and/or benchmark compensation paid by our competitors.

Executive Compensation Program Objectives and Overview

Our current executive compensation programs are intended to achieve three fundamental objectives: (i) attract, retain and motivate qualified executives; (ii) hold executives accountable for performance; and (iii) align executives' interests with the interests of our shareholders. In structuring our current executive compensation programs and in designing our future executive compensation programs, we are guided by the following basic philosophies:

- *Competition.* We should provide competitive compensation opportunities with respect to our industry so that we can attract, retain and motivate qualified executives.
- *Pay for Performance.* A substantial portion of compensation should be tied to our performance, to align the interests of the executives with our performance.
- *Alignment with Shareholder Interests.* A substantial portion of compensation should be contingent on our performance for our shareholders, to align the interests of executives with the interests of our shareholders.

As described in more detail below, the material elements of our current executive compensation programs for Named Officers include a base salary, an annual profit sharing plan and long-term equity incentive awards. In addition, Named Officers may participate in our 401(k) plan and welfare benefit programs on substantially the same terms as our other employees. Our Named Officers are also entitled to certain perquisites and personal benefits and, in some cases, may be entitled to severance benefits upon certain terminations of their employment with us.

We believe that each element of our executive compensation program helps us to achieve one or more of our compensation objectives. The table below lists each material element of our current executive compensation program and the compensation objective or objectives that it is designed to achieve.

<u>Compensation Element</u>	<u>Compensation Objectives Designed to be Achieved</u>
Base Salary	<ul style="list-style-type: none">• Attract, retain and motivate qualified executives
Annual Profit Sharing Plan (Executive Bonus Plan)	<ul style="list-style-type: none">• Hold executives accountable for performance of company• Align executives' interests with those of shareholders• Attract, retain and motivate qualified executives
Perquisites and Personal Benefits	<ul style="list-style-type: none">• Attract, retain and motivate qualified executives
Long-Term Equity Incentives	<ul style="list-style-type: none">• Align executives' interests with those of shareholders• Hold executives accountable for performance• Attract, retain and motivate qualified executives
Severance and Other Benefits Upon Termination of Employment	<ul style="list-style-type: none">• Attract, retain and motivate qualified executives

The individual compensation elements are intended to create a total compensation package for each Named Officer that we believe achieves our compensation objectives and provides competitive compensation opportunities. Historically, we have not retained independent consultants in setting the compensation levels for

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our executives, nor have we benchmarked our executives' compensation against the levels paid by our competitors. However, we have periodically reviewed compensation survey data on comparable companies in our industry.

During fiscal year 2008, we expect the compensation committee to conduct a comprehensive review of our executives' compensation packages. We anticipate that the compensation committee will retain an independent compensation consultant to assist in its review and will consider the compensation packages provided to our competitors' executives.

Current Executive Compensation Program Elements

Base Salaries

We review the base salary levels for our Named Officers on an annual basis. In reviewing the specific salary levels for each Named Officer, we assess the executive's past performance and expected future contributions to us. During fiscal 2007, we reviewed the base salary levels for each of our Named Officers. After taking into consideration the substantial increase in general responsibilities and complexities due to our overwhelming growth, revenues and net income over the previous two years, and consistent with our past practices of holding executives accountable for their performance, we increased the base salary level for each Named Officer (other than Mr. Mitchell and Dr. Achariyapaopan) by approximately 15% to 20%. We believe that the base salary levels of the Named Officers are reasonable in view of competitive practices, our performance and the contribution of those officers to that performance. Future salary increases will be determined by the compensation committee consistent with industry practice.

Annual Profit Sharing Plan

For fiscal 2007, as in prior years, we maintained an Employee Profit Sharing Plan under which we paid bonuses to our employees equal to 10 percent of our pre-tax profits in the aggregate. This bonus ties a portion of the employees' compensation to our financial success. Our Executive Bonus Plan comprises half of our Employee Profit Sharing Plan. For fiscal 2007, the total amount of the bonuses we paid to our executives under the Executive Bonus Plan was approximately \$2.6 million, which represented five percent of our pre-tax profits. The percentage of each executive's bonus was set upon his or her hire date and does not change unless there is an additional executive who participates in the Executive Bonus Plan. The annual bonus is set each quarter after reviewing the executive's individual contributions to our profitability for the previous quarter. The potential bonus amount is then reviewed each quarter with our board of directors, which approves or realigns the amount of each executive's bonus. As with base salaries, we believe that the fiscal 2007 bonuses paid to the Named Officers are reasonable in view of competitive practices, our performance and the contribution of those officers to our performance during fiscal 2007.

We have adopted a similar profit sharing plan for our executives and other employees for fiscal 2008. This plan is subject to change, however, as part of the comprehensive review of our compensation practices described above.

Perquisites and Personal Benefits

In addition to base salaries and annual bonus opportunities, we provide the Named Officers with certain perquisites and personal benefits. We believe that perquisites and personal benefits are often a tax-advantaged way to provide the Named Officers with additional annual compensation that supplements their base salaries and bonus opportunities. We do not establish the value of each Named Officer's perquisites and personal benefits in a vacuum or as some form of compensation "add on." Instead we view the value of the perquisites as another component of annual compensation that is merely paid in a different, and perhaps tax advantaged, form. When determining each Named Officer's base salary, we take the value of each Named Officer's perquisites and personal benefits into consideration.

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The perquisites and personal benefits paid to each Named Officer in fiscal 2007 are reported in the “All Other Compensation” column of the Fiscal 2007 Summary Compensation Table below, and are further described in the footnotes to the Summary Compensation Table.

Commencing with fiscal 2008, the compensation committee will reevaluate, consistent with industry practice, whether it is appropriate under the executive compensation programs it establishes to continue the existing perquisites and personal benefits paid to each Named Officer.

Long-Term Equity Incentives

Our policy is that the long-term compensation of the Named Officers should be directly linked to the value provided to our shareholders. Therefore, we have historically made grants of stock options to provide further incentives to our executives to increase shareholder value. We base our award grants to executives on a number of factors, including the executive’s position and total compensation package, the executive’s performance of his or her individual responsibilities, and the executive’s contribution to the success of our financial performance.

In addition, the size, frequency and type of long-term incentive grants may be determined on the basis of tax consequences of the grants to the individual and to us, accounting impact and potential dilution effects.

Our stock option grants to the Named Officers have an exercise price that is equal to the fair market value of our ordinary shares on the grant date. Thus, the executives will only realize value on their stock options if our shareholders realize value on their shares. The stock options also function as a retention incentive for our executives as they vest ratably over the four-year period after the date of grant. The material terms of the options we granted to our Named Officers during fiscal 2007 are described below under “Fiscal 2007 Grants of Plan-Based Awards.”

Severance and Other Benefits Upon Termination of Employment

We and certain of our subsidiaries have entered into employment agreements with Mr. Mitchell, Dr. Achariyapaopan, Dr. Gill, Mr. Mani and Mr. Schwartz that provide for them to receive severance benefits following certain terminations of their employment with us or our subsidiaries, as applicable. Mr. Mitchell’s employment agreement expired in December 2005, but the parties have continued to honor the terms of that agreement. We believe that severance protections can play a valuable role in attracting and retaining key executive officers. We evaluate the level of severance benefits to provide a Named Officer on a case-by-case basis. We consider these severance protections to be an important part of an executive’s compensation and consistent with competitive practices. As described in more detail below under “Potential Payments Upon Termination or Change in Control” below, these Named Officers would be entitled under their employment agreements to severance benefits in the event of a termination of their employment by us without cause and, in the case of Mr. Mitchell, a constructive termination of his employment with us.

Subsequent Compensation Actions

We have adopted a new equity compensation plan, the 2007 Performance Incentive Plan, or the 2007 Plan, in connection with this offering. A brief summary of the terms of the 2007 Plan is presented below under “Incentive Compensation Plans.”

The compensation committee will undertake a comprehensive review of all existing executive compensation programs, which may result in revisions to the above descriptions of our compensation structure.

Section 162(m) Policy

Section 162(m) of the Internal Revenue Code places a \$1.0 million limit on the tax deductibility of compensation paid to the chief executive officer and certain other executive officers of a publicly-held corporation. The limitation applies only to compensation which is not considered to be performance-based, either

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because it is not tied to the attainment of performance milestones or because it is not paid pursuant to a shareholder-approved plan. Because we were not a publicly-held corporation during fiscal 2007, Section 162(m) did not apply to any of the compensation earned by the Named Officers during fiscal 2007. Our general intention is to comply with Section 162(m) where possible following our public offering. However, we reserve the right to pay compensation that is not deductible if our board of directors (or a committee thereof) determines that it is appropriate to do so.

Fiscal 2007 Summary Compensation Table

The following table presents information regarding compensation of our Named Officers for services rendered during fiscal 2007.

<u>Name and Principal Position</u>	<u>Fiscal Year</u>	<u>Salary</u>	<u>Bonus⁽¹⁾</u>	<u>Option Awards⁽²⁾</u>	<u>All Other Compensation</u>	<u>Total</u>
David T. Mitchell Chief Executive Officer and President	2007	\$450,000	\$1,201,603	\$ —	\$ 508,665 ⁽³⁾	\$2,160,268
Dr. Teera Achariyapaopan Executive Vice President of Fabrinet Co., Ltd. and Chief Operating Officer	2007	345,000	720,886	—	46,283 ⁽⁴⁾	1,112,169
Dr. Harpal S. Gill Executive Vice President, Operations of Fabrinet USA, Inc. and Fabrinet Co., Ltd.	2007	341,666	195,538	259,072	101,148 ⁽⁵⁾	897,424
Nat Mani Executive Vice President, Sales & Marketing of Fabrinet USA, Inc.	2007	256,500	130,358	—	35,918 ⁽⁶⁾	422,776
Mark J. Schwartz Executive Vice President of Fabrinet USA, Inc., Chief Financial Officer and Secretary	2007	256,500	130,358	—	48,174 ⁽⁷⁾	435,032

- (1) These amounts reflect the amount allocated to each Named Officer during fiscal 2007 pursuant to the profit sharing plan described in the "Compensation Discussion and Analysis" above, which represented five percent of our pre-tax profits. The percentage of each executive's bonus was set upon his hire date and does not change unless there is an additional executive who participates in the profit sharing plan. The annual bonus is set each quarter after reviewing the executive's individual contributions to our profitability for the previous quarter.
- (2) These amounts reflect the aggregate dollar amounts recognized for option awards granted during fiscal 2007 for financial statement reporting purposes. No option awards were forfeited by any of our Named Officers during fiscal 2007. For a discussion of the assumptions and methodologies used to calculate the amounts reported, please see the discussion of option awards contained in Note 14 to our consolidated financial statements, included as part of this prospectus.
- (3) This amount consists of perquisites provided by us to Mr. Mitchell primarily in connection with his international assignment, including (a) expenses related to his residence in Thailand (including rent, supplies and staff) of \$184,481, (b) automobile and other transportation expenses (including drivers, maintenance and depreciation) of \$104,313, (c) expenses for meals of \$50,263, (d) certain health insurance benefits at an aggregate cost to us of \$56,134, (e) tuition-related expenses of \$58,041, and (f) additional expenses for airfare for home leave, disability insurance, certain club membership dues, certain expenses incurred in connection with Mr. Mitchell's home office in the United States and miscellaneous other employee benefits.
- (4) This amount includes a contribution by us of \$31,050 on behalf of Dr. Achariyapaopan to the Provident Fund, a retirement program maintained by the Thai government for eligible employees, as well as certain other perquisites, including automobile expenses and depreciation and disability insurance.
- (5) This amount includes a matching contribution of \$1,100 to Dr. Gill's account under our 401(k) plan and certain health insurance benefits at an aggregate cost to us of \$56,212. In addition, in connection with Dr. Gill's international assignment, we provide him with certain automobile-related benefits (including an auto allowance, a driver, maintenance expenses and depreciation) at an aggregate annual cost of \$34,074, as well as other perquisites, including airfare for home leave, disability insurance and certain club membership dues.
- (6) This amount includes a matching contribution of \$3,202 to Mr. Mani's account under our 401(k) plan, certain health insurance benefits at an aggregate cost to us of \$20,716 and an auto allowance of \$12,000.
- (7) This amount includes a matching contribution of \$7,639 to Mr. Schwartz's account under our 401(k) plan, certain health insurance benefits at an aggregate annual cost to us of \$28,535 and an auto allowance of \$12,000.

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Compensation of Named Officers

The Fiscal 2007 Summary Compensation Table above quantifies the value of the different forms of compensation earned by or awarded to our Named Officers during fiscal 2007. The primary elements of each Named Officer's total compensation reported in the table are base salary, profit sharing bonuses, and long-term equity incentives consisting of stock options. Named Officers also earned or were paid the other benefits listed in the "All Other Compensation" column of the Summary Compensation Table, as further described in the footnotes to the table.

The Fiscal 2007 Summary Compensation Table should be read in conjunction with the tables and narrative descriptions that follow. The Fiscal 2007 Grants of Plan-based Awards table, and the description of the material terms of the stock options granted in fiscal 2007 that follows it, provides information regarding the options awarded to Named Officers during fiscal 2007. The Outstanding Equity Awards at Fiscal 2007 Year-End and Option Exercises and Stock Vested in Fiscal 2007 tables provide further information on the Named Officers' potential realizable value and actual value realized with respect to their equity awards. The discussion of the potential payments due upon a termination of employment or change in control that follows is intended to further explain the potential future payments that are, or may become, payable to our Named Officers under certain circumstances.

Description of Employment Agreements, Salary and Bonus Amounts

Each of our Named Officers (other than Mr. Mitchell) is employed by us or one of our subsidiaries pursuant to an employment agreement, as described above. As noted above in the Compensation Discussion and Analysis, Mr. Mitchell's employment agreement expired in December 2005, but the parties have continued to honor the terms of that agreement. In each case, the Named Officer's base salary was originally fixed by contract. In addition, the employment agreement for each Named Officer (other than Dr. Acharyapaopan) provides that the executive will be entitled to an annual incentive bonus opportunity. As described above, each Named Officer participates in our Executive Bonus Plan.

Fiscal 2007 Grants of Plan-Based Awards

The following table presents information regarding the share option awards granted to the Named Officers during fiscal 2007. The material terms of each grant are described below under "Description of Share Option Awards."

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Option Awards⁽¹⁾
David T. Mitchell	—	—	\$ —	\$ —
Dr. Teera Acharyapaopan	—	—	—	—
Dr. Harpal Gill	1/1/07	100,000	3.50	692,369
Nat Mani	—	—	—	—
Mark J. Schwartz	—	—	—	—

- (1) For a discussion of the assumptions and methodologies used to calculate the amounts reported in this column, please see the discussion of option awards contained in Note 14 to our consolidated financial statements included as part of this prospectus, which note is incorporated herein by reference.

Description of Share Option Awards

Each of the options reported in the Fiscal 2007 Grants of Plan-Based Awards Table above was granted under, and is subject to, the terms of the 1999 Amended and Restated Share Option Plan, or 1999 Plan. For a summary of the terms of the 1999 Plan, see "1999 Share Option Plan" below. Each of these options was granted

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with a per-share exercise price that was set by our board of directors. In making its determination, our board of directors considered our approximate book value. Prior to the adoption of SFAS 123(R), we measured compensation expense for our employee share-based compensation in accordance with the intrinsic value method under APB 25 and related interpretations. Under this method, compensation expense for the period is calculated as the excess of the fair market value per share at the date of grant (or board approval date) over the exercise price for each share option. Effective July 1, 2006, we adopted the fair value recognition provisions of SFAS 123(R). Under the fair value recognition provisions of SFAS 123(R), we applied the prospective transition method and measured share-based compensation at fair value on the awards' grant date based on the estimated number of awards that are expected to vest. Each of these options is also subject to a four-year vesting schedule.

Once vested, each option will generally remain exercisable until its normal expiration date. Each of the options granted to our Named Officers in fiscal 2007 has a term of seven years. However, vested options may terminate earlier in connection with a change in control transaction or a termination of the Named Officer's employment. Subject to any accelerated vesting that may apply in such circumstances, the unvested portion of the option will immediately terminate upon a termination of the Named Officer's employment. The Named Officer will generally have three months to exercise the vested portion of the option following a termination of his employment. This period is extended to 12 months if the termination was a result of the Named Officer's disability, to 24 months if the termination was a result of the Named Officer's death, and to three years if the termination was the result of the Named Officer's retirement; provided, however, that the exercise period may not extend beyond the original termination date of the option.

The options granted to Named Officers during fiscal 2007 do not include any dividend rights.

Outstanding Equity Awards at Fiscal 2007 Year-End

The following table presents information regarding the outstanding equity awards held by each Named Officer as of June 30, 2007.

Name	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date ⁽²⁾
	Exercisable ⁽¹⁾	Unexercisable		
David T. Mitchell	—	—	\$ —	—
Dr. Teera Achariyapaopan	183,333	16,667 ⁽³⁾	1.50	9/30/2010
Dr. Harpal S. Gill	52,083	47,917 ⁽⁴⁾	1.75	4/30/2012
	10,417	89,583 ⁽⁵⁾	3.50	12/31/2013
Nat Mani	80,000	—	1.00	1/7/2008
	55,000	—	1.50	12/31/2008
	38,542	11,458 ⁽⁶⁾	1.50	5/6/2011
Mark J. Schwartz	38,542	11,458 ⁽⁶⁾	1.50	5/6/2011

(1) All exercisable options are currently vested.

(2) The expiration date shown is the normal expiration date and the latest date that options may be exercised. Options may terminate earlier in certain circumstances, such as in connection with a Named Officer's termination of employment or in connection with a change in control.

(3) This option was granted on October 1, 2003 with equal monthly vesting over 48 months, commencing with the grant date. The remaining unvested portion of this option vests in four monthly installments, with the first such installment vesting on July 1, 2007.

(4) This option was granted on May 1, 2005 with 25% vesting after one year of service and the remaining 75% vesting in equal monthly installments over the next 36 months. The remaining unvested portion of this option vests in 23 monthly installments, with the first such installment vesting on July 1, 2007.

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- (5) This option was granted on January 1, 2007 with equal monthly vesting over 48 months, commencing with the grant date. The remaining unvested portion of this option vests in 43 monthly installments, with the first such installment vesting on July 1, 2007.
- (6) This option was granted on May 7, 2004 with equal monthly vesting over 48 months, commencing with the grant date. The remaining unvested portion of this option vests in eleven monthly installments, with the first such installment vesting on July 7, 2007.

Option Exercises and Shares Vested in Fiscal 2007

The following table presents information regarding the exercise of share options by Named Officers during fiscal 2007. None of the Named Officers had any share awards that vested during fiscal 2007.

<u>Name</u>	<u>Number of Shares Acquired on Exercise</u>	<u>Value Realized on Exercise⁽¹⁾</u>
David T. Mitchell	—	\$ —
Dr. Teera Achariyapaopan	—	—
Dr. Harpal S. Gill	—	—
Nat Mani	—	—
Mark J. Schwartz	33,438	326,021

- (1) The dollar amounts for option awards are determined by multiplying (i) the number of our ordinary shares to which the exercise of the option related, by (ii) the difference between the per-share fair market value of our ordinary shares on the date of exercise and the exercise price of the options.

Potential Payments Upon Termination or Change in Control

As noted above, Mr. Mitchell, Dr. Gill, Mr. Schwartz and Dr. Achariyapaopan are entitled to severance benefits on certain terminations of their employment under their respective employment agreements, as described above in more detail.

Under Mr. Mitchell's employment agreement, if we terminate Mr. Mitchell's employment without "cause" or by him for "good reason" (as those terms are defined in the employment agreement), he will be entitled to a lump sum severance payment equal to two times his annual base salary then in effect. In addition, Mr. Mitchell's equity-based awards (including his warrant to purchase 97,175 ordinary shares), to the extent then outstanding and not fully vested, will become fully vested and, in the case of stock options, will generally remain exercisable for four years following the date of termination or, if sooner, the original expiration date for such stock options. Therefore, if Mr. Mitchell had terminated employment with us on September 30, 2007, he would have been entitled to a lump sum cash payment equal to \$900,000. This amount is derived by multiplying two by \$450,000, which represents Mr. Mitchell's annualized base salary rate in effect on June 30, 2007. Mr. Mitchell did not hold any outstanding and unvested stock options or other equity-based awards as of June 30, 2007.

Under Dr. Gill's employment agreement, as amended on February 14, 2007, if we terminate Dr. Gill's employment without good cause, he will be entitled to a severance payment equal to 12 months of his base salary then in effect, medical coverage for the 12-month period following his termination and any unearned bonus. Therefore, if Dr. Gill had terminated employment with us on June 30, 2007, he would have been entitled to cash severance equal to \$400,000, which represents 12 months of his base salary, 12 months of medical coverage and any earned bonus in effect on June 30, 2007.

Under Mr. Mani's employment agreement, if we terminate Mr. Mani's employment without good cause, he will be entitled to a severance payment equal to six months of his base salary then in effect, medical coverage for the six-month period following his termination and any unearned bonus. Therefore if Mr. Mani had terminated employment with us on June 30, 2007, he would have been entitled to cash severance equal to \$147,858, which represents six months of his base salary, six months of medical coverage and any unearned bonus in effect on June 30, 2007.

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Under Mr. Schwartz's employment agreement, if we terminate Mr. Schwartz's employment without cause, he will be entitled to a severance payment equal to six months of his base salary then in effect. Therefore, if Mr. Schwartz had terminated employment with us on June 30, 2007, he would have been entitled to cash severance equal to \$137,500, which represents six months of his base salary in effect on June 30, 2007.

Under applicable Thai law, Dr. Achariyapaopan is eligible for one month of severance for each year of his service to us. As of September 30, 2007, Dr. Achariyapaopan would be entitled to eight months of severance. Therefore, if Dr. Achariyapaopan had terminated employment with us on June 30, 2007, he would have been entitled to cash severance equal to \$230,000, which represents eight months of his base salary in effect on June 30, 2007.

Incentive Compensation Plans

As of the date of this prospectus, our employees hold outstanding options for the purchase of up to 1,717,800 of our ordinary shares. Those options were granted under the 1999 Plan. As of September 30, 2007, 1,270,340 of those options had vested and the balance were not vested. The exercise prices of those options ranged from \$1.00 per share to \$4.25 per share, each exercise price set as the fair market value of an underlying ordinary share on the date of grant, and each of those options had a maximum term of seven years from the applicable date of grant.

The following sections provide more detailed information concerning our benefit plans and, with respect to our equity compensation plans, the shares that are available for future awards under these plans. Each summary below is qualified in its entirety by the full text of the relevant plan document, which (excluding the plans described under the heading "Other Benefits") has been filed with the Securities and Exchange Commission as an exhibit to the Form S-1 Registration Statement of which this prospectus is a part and is available through the Securities and Exchange Commission's internet site at www.sec.gov.

1999 Share Option Plan

The 1999 Plan, as amended, was adopted by our board of directors on October 1, 1999 and approved by our shareholders on May 8, 2000. The plan was last amended on February 22, 2007, and our shareholders approved the amendment on March 16, 2007. Under the 1999 Plan, we are generally authorized to grant options to purchase our ordinary shares to our employees, directors, officers and consultants and employees, officers and consultants of our subsidiaries. Options granted under the 1999 Plan are either incentive share options, within the meaning of Section 422 of the Internal Revenue Code, or nonstatutory share options. No new awards will be granted under the 1999 Plan after the consummation of this initial public offering. However, the 1999 Plan will continue to govern the terms and conditions of outstanding awards granted thereunder.

We have reserved a total of 3,442,857 ordinary shares for issuance pursuant to the 1999 Plan. As of September 30, 2007, options to purchase 1,717,800 shares were outstanding and 118,457 shares were available for future grant under this plan.

Our board of directors, or a committee appointed by the board, administers the 1999 Plan. Under the 1999 Plan, the administrator has the power to construe and interpret the terms of the 1999 Plan and to determine the terms of the awards, including the employees, directors and consultants who will receive awards, the exercise price, the number of shares subject to each award, the vesting schedule and exercisability of awards and the form of consideration payable upon exercise.

With respect to all stock options granted under the 1999 Plan, the exercise price must at least be equal to the fair market value of our ordinary shares on the date of grant. The term of an option may not exceed seven years, except that with respect to any participant who owns 10% of the voting power of all classes of our outstanding shares as of the grant date, the term may not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator determines the terms of all other options.

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As is customary in incentive plans of this nature, the number of shares subject to outstanding options under the 1999 Plan and the exercise prices of those options are subject to adjustment in the event of changes in our capital structure, reorganizations and other extraordinary events.

In the event we undergo a change in control, all share options then outstanding under the 1999 Plan will generally become fully vested and will terminate in exchange for the optionee's right to receive a cash payment for each share covered by the option equal to the amount (if any) by which the change in control price exceeds the exercise price of the option. For purposes of the 1999 Plan, a "change in control" is generally defined as an acquisition of more than 50% of our voting securities or approval by our shareholders of a sale of substantially all of our assets or a merger or consolidation in which our shareholders do not continue to own at least 50% of the voting securities of the surviving entity after the transaction; and the "change in control price" is, as determined by our board of directors, the highest per-share fair market value or the highest per-share price paid or offered for our ordinary shares at any time during the 60-day period preceding the date of determination (or, if lower and if so determined by our board, the fair market value of an ordinary share at the time of the transaction).

In the event of our merger with another company or a sale of substantially all of our assets that constitutes a change in control, all share options then outstanding under the 1999 Plan will automatically vest, subject to the plan administrator's authority to provide for the assumption or substitution of the options. If there is no assumption or substitution of outstanding awards, such awards will become fully vested and exercisable and the administrator will provide notice to the recipient that he or she has the right to exercise such outstanding awards for a period of 15 days from the date of such notice. The awards will terminate upon the expiration of such stated notice period.

Unless otherwise determined by the administrator, the 1999 Plan generally does not allow for the sale or transfer of awards under the 1999 Plan other than by will or the laws of descent and distribution, and awards may be exercised only during the lifetime of the participant and only by such participant.

Our board of directors may amend or terminate the 1999 Plan at any time. The 1999 Plan requires that certain amendments, to the extent necessary or desirable to comply with applicable law, be submitted to our shareholders for their approval.

2007 Performance Incentive Plan

We intend to have our board of directors adopt and our shareholders approve the 2007 Plan to provide an additional means through the grant of awards to attract, motivate, retain and reward selected employees and other eligible persons. Employees, officers, directors, and consultants that provide services to us or one of our subsidiaries are eligible to receive awards under the 2007 Plan.

Our board of directors, or a committee of directors appointed by the board, has the authority to administer the 2007 Plan. The administrator of the plan has broad authority to:

- determine eligibility;
- select eligible participants and determine the types of awards that they are to receive;
- determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;
- approve the form of award agreements;
- cancel, modify or waive our rights with respect to, or modify, discontinue, suspend or terminate any or all outstanding awards, subject to any required consents;
- construe and interpret the terms of the 2007 Plan;
- accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;

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- subject to the other provisions of the 2007 Plan, make certain adjustments to an outstanding award and authorize the conversion, succession or substitution of an award;
- allow the purchase price of an award or ordinary shares to be paid in the form of cash, check or electronic funds transfer, by the delivery of already-owned ordinary shares or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice and third party payment or cashless exercise on such terms as the administrator may authorize, or any other form permitted by law; and
- determine the fair market value of an ordinary share.

A total of [] of our ordinary shares are authorized for issuance with respect to awards granted under the 2007 Plan, plus any shares subject to options under the 1999 Plan outstanding as of the date our shareholders adopt the 2007 Plan that expire, are canceled or terminate after the shareholder adoption date. Any shares subject to awards that are settled in cash or not paid or exercised before they expire or are terminated will become available for other award grants under the 2007 Plan. Shares used to pay the purchase or exercise price of awards or related tax withholding obligations will not be available for subsequent award grants under the plan. As of the date of this prospectus, no awards have been granted under the 2007 Plan, and the full number of shares authorized under the 2007 Plan is available for award purposes.

Of the total ordinary shares authorized for issuance under the 2007 Plan, only [] shares may be issued as incentive share options. No more than [] ordinary shares with respect to options and share appreciation rights may be issued to an individual during any calendar year.

Awards under the 2007 Plan may be in the form of incentive or nonqualified share options, share appreciation rights, restricted shares, shares bonuses, performance shares, share units, phantom shares, dividend equivalents and other forms of awards granted or denominated in our ordinary shares or units of our ordinary shares. Awards under the plan generally will not be transferable other than by will or the laws of descent and distribution, except that the plan administrator may authorize certain transfers for tax or estate planning purposes.

The exercise prices of share options and the base prices of share appreciation rights granted under the 2007 Plan will not be less than the fair market value of our ordinary shares on the date of grant. Incentive share options may be granted only to our employees and must have an exercise price that is at least 110% of fair market value of our ordinary shares as to any 10% owner of our ordinary shares on the date of grant. Restricted share awards can be issued for nominal or the minimum lawful consideration. These and other awards may also be issued solely or in part for services. Awards are generally paid in cash or our ordinary shares. The plan administrator may provide for the deferred payment of awards and may determine the terms applicable to deferrals.

As is customary in incentive plans of this nature, the number and kind of shares available under the 2007 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, will be subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, share splits, share dividends or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the shareholders. In no case (except due to an adjustment referred to above or any repricing that may be approved by our shareholders) will any adjustment be made to a share option or share appreciation right award under the 2007 Plan (by amendment, cancellation and regrant, exchange or other means) that would constitute a repricing of the per-share exercise or base price of the award.

In the event of a merger, consolidation, sale of substantially all of our assets or any other similar transaction in which we do not survive (or do not survive as a public company in respect of our ordinary shares), each award granted under our 2007 Plan will generally become fully vested, exercisable, and/or payable, as applicable, if the award will not be assumed or substituted for or otherwise continued after the event.

Our board of directors may amend or terminate the 2007 Plan at any time, but no such action will affect any outstanding award in any manner materially adverse to a participant without the consent of the participant. Plan

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amendments will be submitted to shareholders for their approval as required by applicable law or any applicable listing agency. The 2007 Plan is not exclusive—our board of directors and compensation committee may grant equity and performance incentives or other compensation, in shares or cash, under other plans or authority.

The 2007 Plan will terminate ten years after the board approval date. However, the plan administrator will retain its authority until all outstanding awards are exercised or terminated. The maximum term of options, share appreciation rights and other rights to acquire ordinary shares under the plan is ten years after the initial date of the award.

Employee Share Purchase Plan

We also intend to establish, and obtain board and shareholder approval of, an Employee Share Purchase Plan, or the ESPP.

A total of [] of our ordinary shares will be made available for sale. Any shares subject to options that are not paid or delivered under the ESPP for any reason will become available for subsequent options under the ESPP.

Our board of directors shall appoint a committee, which shall be composed of not less than two members of our board of directors, to administer the ESPP. The committee has broad authority to:

- construe and interpret the terms of the ESPP;
- further define the terms used in the ESPP;
- prescribe, amend and rescind rules and regulations relating to the administration of the ESPP; and
- make all other determinations and take such other action as contemplated by the ESPP or as may be necessary or advisable for the administration of the ESPP or the effectuation of its purpose.

All of our employees will be eligible to participate once they have completed at least three months of continued employment with us or any participating subsidiary; provided that they are customarily employed by us or any participating subsidiary for at least 20 hours per week and more than five months in any calendar year. However, an employee may not be granted rights to purchase stock if:

- such employee immediately after the grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock, or
- such employee's rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds \$25,000 worth of our stock for each calendar year in which such rights are outstanding.

Our ESPP is intended to qualify under Section 423 of the Code and provides for consecutive six-month offering periods; provided that the administrator, prior to an offering period, may adjust the offering period to a minimum of three months and to a maximum of 27 months. The offering periods will generally start on the first trading day on or after January 1 and July 1 of each year.

Our ESPP permits participants to purchase ordinary shares through payroll deductions of between one percent and ten percent of their eligible compensation, which includes a participant's regular earnings, overtime pay, sick pay, shift differential, shift premium, vacation pay, incentive compensation, commission and bonuses, as well as salary reduction contributions to a plan qualifying under Sections 401(k), 125 or 129 of the Code. A participant may purchase a maximum of [] ordinary shares during a six-month offering period.

Amounts deducted and accumulated by the participant will be used to purchase our ordinary shares at the end of each six-month offering period. The committee may, prior to an offering period, designate a discount on the option purchase price for such offering period of up to 15 percent from any of the following: (i) the fair market value of an ordinary share on the grant date of that offering period, (ii) the fair market value of an

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ordinary share on the exercise date of that offering period or (iii) the lesser of (i) or (ii) for that offering period. Participants may end their participation at any time during an offering period and will be paid their payroll deductions to date. Participation ends automatically upon termination of employment.

A participant may not transfer rights granted under the ESPP other than by will, the laws of descent and distribution or as otherwise provided under the ESPP.

The number of ordinary shares available under the ESPP, as well as the purchase price per ordinary share, will be subject to adjustment in the event of certain reorganizations, mergers, combinations, reclassification, recapitalizations, share splits, share dividends or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the shareholders.

In the event of a merger, consolidation, sale of substantially all of our assets or any other similar transaction in which we do not survive (or do not survive as a public company in respect of our ordinary shares), the committee may make provision for a cash payment or for the substitution or exchange of any or all outstanding options for cash, securities, or property to be delivered to the holders of any or all outstanding options based upon the distribution or consideration payable to holders of the ordinary shares upon or in respect of such event.

Our ESPP will automatically terminate 10 years after it is initially approved by our board of directors, unless we terminate it sooner. In addition, our board of directors has the authority to amend, modify, suspend or terminate our ESPP, except that, subject to certain exceptions described in the ESPP, no such action may adversely affect any outstanding rights to purchase stock under our ESPP.

Other Benefits

We cover our executive officers under medical, dental, life and other welfare plans maintained by us. In general, these plans are open to substantially all of our employees. We also maintain a 401(k) plan for eligible employees in the U.S. and make certain matching contributions to employees' accounts under the plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We describe below transactions since August 1, 2004 to which we were a party or will be a party, in which the amounts involved exceeded or will exceed \$120,000 and in which the following persons had or will have a direct or indirect material interest:

- any of our directors or executive officers;
- any nominee for election as one of our directors;
- any person or entity that beneficially owns more than five percent of our outstanding shares; or
- any member of the immediate family of any of the foregoing persons.

We also describe below certain other transactions with our directors, executive officers and shareholders.

Ordinary Share and Warrant Issuances

On January 1, 2001, we issued a warrant to purchase up to 1,285,714 of our ordinary shares to Mr. Mitchell, our chief executive officer, president and chairman of the board of directors. This warrant, which has an exercise price of \$0.01 per ordinary share, was immediately exercisable for 605,468 shares on the grant date. The warrant becomes exercisable for an additional number of shares based upon the number of options granted under the 1999 Plan after January 1, 2001 which have become vested. Accordingly, Mr. Mitchell may exercise the warrant and purchase one share for every four shares that have vested after January 1, 2001. As of September 30, 2007, Mr. Mitchell had vested in and exercised his right to purchase an aggregate of 1,188,539 shares under the warrant and, upon the future vesting of shares underlying stock options, will vest in and have the right to purchase the remaining 97,175 shares in accordance with the same vesting parameters.

Relationships with JDSU

JDSU, which owned 6.5% of our outstanding shares (fully diluted) as of June 30, 2007, is a significant customer and until recently appointed a member of our board of directors. During fiscal 2007, Enzo Signore and Debora Shoquist served as JDSU's designees on our board of directors at a time when each was an employee of JDSU. We are a party to a supply agreement with JDSU under which we serve as a contract manufacturer for JDSU. In addition, we purchase certain products from JDSU in the ordinary course of our business. In connection with these commercial transactions, JDSU made payments to us of approximately \$60.0 million, \$126.9 million and \$148.7 million, and we made payments to JDSU of approximately \$15.8 million, \$38.9 million and \$44.5 million during fiscal 2005, fiscal 2006 and fiscal 2007, respectively.

During fiscal 2005 and fiscal 2006, we entered into three production wind-down and transfer agreements with JDSU, as described in Notes 3-5 of our consolidated financial statements. In connection with those production wind-down and transfer agreements, we made payments to JDSU of approximately \$4.6 million, \$23.1 million and \$11.4 million, and JDSU made payments to us of approximately \$10.7 million, \$28.6 million and \$7.7 million during fiscal 2005, fiscal 2006 and fiscal 2007, respectively.

Relationships with Finisar

Frank H. Levinson, a member of our board of directors, is the former chairman of the board and chief technical officer and a current director of Finisar. In June 2000, we entered into a volume supply agreement with Finisar, at rates which we believe to be market, under which we serve as a foundry service provider for Finisar. In addition, we purchase certain products from Finisar. In connection with these commercial transactions, Finisar made payments to us of approximately \$45.0 million, \$69.6 million and \$76.8 million, and we made payments to Finisar of approximately \$34.9 million, \$37.9 million and \$44.4 million during fiscal 2005, fiscal 2006 and fiscal 2007, respectively.

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Shareholders' Agreement

We are a party to a Shareholders' Agreement with Mr. Mitchell, JDSU, Asia Pacific Growth Fund III, L.P. and J.F. Shea Co. Inc. The Shareholders' Agreement, as amended, provides the parties with certain voting rights, a right of first refusal on future equity issuances and certain other rights. The Shareholders' Agreement will be terminated effective upon the closing of this offering.

Registration Rights

No holders of our ordinary shares are entitled to request that we register their shares of our ordinary shares under the Securities Act.

Share Option Grants

We have granted options to purchase ordinary shares to our executive officers and directors. See "Compensation Discussion and Analysis."

Change in Control Agreements

We have entered into severance agreements with our executive officers as described in "Compensation Discussion and Analysis."

Indemnification Agreements of Officers and Directors

Our amended and restated memorandum and articles of association provide that we will indemnify each of our directors and officers to the fullest extent permitted by applicable Cayman Islands law. Further, we have entered into indemnification agreements with each of our directors and executive officers. See "Management—Limitations of Liability and Indemnification of Officers and Directors" elsewhere in this prospectus for additional information.

Other Related Party Transactions

Siriwan Kaewchanslip, the sister-in-law of our chief executive officer, president and chairman of the board of directors, is employed by us as Director of European Sales and Marketing. Ms. Kaewchanslip received an aggregate of approximately \$125,000 in base salary during each of fiscal 2007, fiscal 2006 and fiscal 2005. As of June 30, 2007, Ms. Kaewchanslip held options to purchase 135,000 ordinary shares.

Policy for Approval of Related Party Transactions

With the exception of transactions in which related parties participated on the same terms as other participants that were not related parties, our board of directors reviewed and approved the transactions with each related party, namely our directors, executive officers, beneficial owners of more than five percent of our ordinary shares and affiliates of our directors, executive officers and five percent shareholders, and reviewed the material facts as to a related party's relationship or interest in a transaction prior to considering a transaction with a related party. The transactions involving related parties were approved by our board of directors, including all of our directors who were not interested in these transactions.

Following this offering, all future related party transactions will be subject to approval by our audit committee. Pursuant to our related party transaction policy, the audit committee is responsible for reviewing and pre-approving any transaction in which any party related to us has or will have a direct or indirect material interest.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership, within the meaning of Section 13(d)(3) of the Exchange Act, of ordinary shares, as of September 30, 2007, as adjusted to reflect the sale of ordinary shares offered in this offering, for:

- each person known to us to own beneficially more than 5% of the outstanding ordinary shares;
- each selling shareholder participating in this offering;
- each of our directors;
- each of our Named Officers; and
- all of our executive officers and directors as a group.

Beneficial ownership includes voting or investment power with respect to the securities. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them. Percentage of beneficial ownership is based on 29,795,139 ordinary shares outstanding as of September 30, 2007, and [] ordinary shares outstanding after completion of this offering.

Unless otherwise noted below, the address of each person named below is c/o Fabrinet, 294 Moo 8, Vibhavadi Rangsit Road, Kookot, Lumlooka, Patumthanee 12130, Thailand.

<u>Name and Address of Beneficial Owner</u>	<u>Ordinary Shares Beneficially Owned Prior To This Offering⁽¹⁾</u>		<u>Shares Being Offered</u>	<u>Ordinary Shares Beneficially Owned After This Offering</u>	
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>
5% Shareholders					
Asia Pacific Growth Fund III, L.P. c/o W.S. Walker & Company P.O. Box 265, GT Walker House Grand Cayman, Cayman Islands	18,000,000	60.4%	[]	[]	[]%
JDS Uniphase Corporation 430 North McCarthy Blvd. Milpitas, California 95035	2,000,000	6.7	[]	[]	[]
J.F. Shea Co. Inc. 655 Brea Canyon Road Walnut, California 91789	2,000,000	6.7	[]	[]	[]
Directors and Named Executive Officers					
David T. Mitchell	6,188,539 ⁽²⁾	20.8	[]	[]	[]
Dr. Teera Acharyapaopan	1,010,000 ⁽³⁾	3.4	—	1,010,000	[]
Dr. Harpal Gill	83,333 ⁽⁴⁾	*	—	83,333	*
Nat Mani	178,750 ⁽⁵⁾	*	—	178,750	*
Mark J. Schwartz	178,750 ⁽⁶⁾	*	—	178,750	*
Mark A. Christensen	20,065 ⁽⁷⁾	*	—	20,065	*
Dr. Ta-lin Hsu	18,030,000 ⁽⁸⁾	60.5	—	[]	[]
Dr. Frank H. Levinson	53,125 ⁽⁹⁾	*	—	53,125	*
Rollance E. Olson	26,250 ⁽¹⁰⁾	*	—	26,250	*
Virapan Pulges	30,000 ⁽¹¹⁾	*	—	30,000	*
All directors and executive officers as a group (10 people)	25,798,812 ⁽¹²⁾	84.8	—	[]	[]

* Upon exercise of all options currently exercisable or vesting within 60 days of September 30, 2007, would beneficially own less than 1% of ordinary shares.

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- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting power or investment power with respect to securities. The number of ordinary shares beneficially owned by the shareholders for the purposes of this table is the number of shares that would be beneficially owned after the closing of this offering. All options and warrants exercisable for ordinary shares within 60 days following September 30, 2007 are deemed to be outstanding and beneficially owned by the shareholder holding such options or warrants for the purpose of computing the number of shares beneficially owned by such shareholder. They are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other shareholder.
- (2) Consists of (i) 954,808 shares held by Mr. Mitchell individually (including a warrant to purchase 97,175 ordinary shares at an exercise price of \$0.01 per share), (ii) 4,333,731 shares held by the DTM Prop. Trust, of which Mr. Mitchell is the sole trustee, (iii) 600,000 shares held by the David Thomas Mitchell Annuity Trust for the benefit of Mr. Mitchell, of which Mr. Mitchell is the sole trustee, and (iv) 100,000 shares held by each of the Gabriel Thomas Mitchell Trust, the Alexander Thomas Mitchell Trust and the Sean Thomas Mitchell Trust, for each of which Kimberley Totah is the sole trustee. Mr. Mitchell disclaims beneficial ownership of the shares held by each of the Gabriel Thomas Mitchell Trust, the Alexander Thomas Mitchell Trust and the Sean Thomas Mitchell Trust.
- (3) Includes 200,000 shares issuable upon the exercise of options held by Dr. Achariyapaopan that are exercisable within 60 days of September 30, 2007.
- (4) All such shares are issuable upon the exercise of options held by Dr. Gill that are exercisable within 60 days of September 30, 2007.
- (5) All such shares issuable upon the exercise of options held by Mr. Mani that are exercisable within 60 days of September 30, 2007.
- (6) Includes 43,750 shares issuable upon the exercise of options held by Mr. Schwartz that are exercisable within 60 days of September 30, 2007.
- (7) All such shares are issuable upon the exercise of options held by Mr. Christensen that are exercisable within 60 days of September 30, 2007.
- (8) Consists of (i) 18,000,000 shares held by Asia Pacific Growth Fund III, L.P. and (ii) 30,000 shares issuable upon the exercise of options held by Dr. Hsu that are exercisable within 60 days of September 30, 2007. Dr. Hsu, one of our directors, is chairman of H&Q Asia Pacific, Ltd. and a member of the investment committee of the general partner of Asia Pacific Growth Fund III, L.P. Dr. Hsu disclaims beneficial ownership of the shares held by Asia Pacific Growth Fund III, L.P., except to the extent of his pecuniary interest in such shares.
- (9) Includes 23,125 shares issuable upon the exercise of options held by Dr. Levinson that are exercisable within 60 days of September 30, 2007.
- (10) All such shares are issuable upon the exercise of options held by Mr. Olson that are exercisable within 60 days of September 30, 2007.
- (11) All such shares are issuable upon the exercise of options held by Mr. Pulges that are exercisable within 60 days of September 30, 2007.
- (12) Includes 635,273 shares issuable upon the exercise of options held by our directors and executive officers that are exercisable within 60 days of September 30, 2007.

DESCRIPTION OF SHARE CAPITAL

General

In August 1999, we were organized as an exempted limited liability company under the laws of the Cayman Islands. As such, our affairs are governed by our memorandum and articles of association and the Companies Law and the common law of the Cayman Islands. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares. A Cayman Islands exempted company:

- is a company that conducts its business outside of the Cayman Islands;
- is exempted from certain requirements of the Companies Law, including a filing of an annual return of its shareholders with the Registrar of Companies or the Immigration Board;
- does not have to make its register of shareholders open to inspection; and
- may obtain an undertaking against the imposition of any future taxation.

As of the date of this prospectus, we are authorized to issue 35,000,000 ordinary shares, par value \$0.01 per share, and no preferred shares. As of September 30, 2007, we had 29,795,139 ordinary shares outstanding, held of record by 35 shareholders, and there were outstanding options to purchase 1,717,800 ordinary shares and an outstanding warrant to acquire 97,175 ordinary shares.

Our amended and restated memorandum and articles of association, which will become effective upon the closing of this offering, authorize the issuance of up to [] ordinary shares, par value \$0.01 per share, and up to [] preferred shares, par value \$0.01 per share.

The following description summarizes the most important terms of our share capital. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our amended and restated memorandum and articles of association, a copy of which has been filed as an exhibit to the registration statement, of which this prospectus is a part, and the applicable provisions of the Companies Law.

Meetings

Subject to our regulatory requirements, an annual general meeting and any extraordinary general meeting shall be called by not less than ten days' nor more than 60 days' notice. Notice of every general meeting will be given to all of our shareholders, our directors and our principal external auditors. Extraordinary general meetings may be called only by the chairman of our board of directors or a majority of our board of directors, and may not be called by any other person.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, subject to applicable regulatory requirements, a meeting will be deemed to have been duly called if it is so agreed (i) in the case of a meeting called as an annual general meeting, by all of our shareholders entitled to attend and vote at the meeting, or (ii) in the case of an extraordinary meeting, by a majority in number of our shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in par value of the shares giving that right.

At any general meeting, shareholders entitled to vote and present in person or by proxy that represent not less than one-third of our issued and outstanding voting shares will constitute a quorum. No business may be transacted at any general meeting unless a quorum is present at the commencement of business.

A corporation being a shareholder shall be deemed for the purpose of our amended and restated memorandum and articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such

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corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were our individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in “Modification of Rights” below.

Voting Rights Attaching to the Shares

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote per ordinary share.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is registered as our shareholder at the applicable record date for that meeting and all calls or installments due by such shareholder to us have been paid.

If a clearing house or depository (or its nominee(s)) is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders, provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the recognized clearing house or depository (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or depository (or its nominee(s)) including the right to vote individually on a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of our directors, unlike the requirement under Delaware law that cumulative voting for the election of directors is permitted only if expressly authorized in the certificate of incorporation, it is not a concept that is accepted as a common practice in the Cayman Islands, and we have made no provisions in our amended and restated memorandum and articles of association to allow cumulative voting for such elections.

Protection of Minority Shareholders

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of our shares in issue, appoint an inspector to examine our affairs and report thereon in a manner as the Grand Court shall direct.

Any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that it is just and equitable that we should be wound up.

Claims against us by our shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our amended and restated memorandum and articles of association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against, or derivative actions in our name to challenge (i) an act which is ultra vires or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of us, and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

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Pre-emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our amended and restated memorandum and articles of association.

Liquidation Rights

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (ii) if we are wound up and the assets available for distribution among our shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by our shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up, the liquidator may with the sanction of an ordinary resolution and any other sanction required by the Companies Law, divide among our shareholders in specie or kind the whole or any part of our assets (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also, with the sanction of an ordinary resolution, vest any part of these assets in trustees upon such trusts for the benefit of our shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

Modification of Rights

Except with respect to share capital (as described below) alterations to our amended and restated memorandum and articles of association may only be made by special resolution of no less than two-thirds of votes cast at a meeting of our shareholders.

Subject to the Companies Law of the Cayman Islands, all or any of the special rights attached to shares of any class (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of our amended and restated memorandum and articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at its adjourned meeting shall be a person or persons together holding (or represented by proxy) not less than one-third in nominal value of the issued shares of that class, every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares with the same rights and privileges.

Alteration of Capital

We may from time to time by ordinary resolution:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;

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- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of our share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law;
- sub-divide our shares or any of them into shares of a smaller amount than is fixed by our amended and restated memorandum and articles of association, subject nevertheless to the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the share resulting from such subdivision, one or more of the shares may have any such preference or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with, the others as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively as preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination in general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our amended and restated memorandum and articles of association, any of our shareholders may transfer all or a portion of their shares by an instrument of transfer in the usual or common form or in a form prescribed by the New York Stock Exchange or in any other form which our directors may approve.

Our directors may, in their absolute discretion, decline to register any transfer of shares. If our directors refuse to register a transfer, they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 45 days in any year.

Share Repurchase

We are empowered by the Companies Law and our amended and restated memorandum and articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the U.S. Securities and Exchange Commission, the New York Stock Exchange, or by any recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Law, we may declare dividends in any currency to be paid to our shareholders but no dividend shall be declared in excess of the amount recommended by our directors. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

We have not previously paid any dividends, and do not have the present intention to pay dividends. In addition, we and certain of our subsidiaries are restricted in our ability to pay dividends under certain of our credit agreements.

Differences in Corporate Law

The Companies Law is modeled after similar laws in the United Kingdom but does not follow recent changes in United Kingdom laws. In addition, the Companies Law differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the U.S. and their shareholders.

Mergers and Similar Arrangements

Cayman Islands law does not provide for mergers as that expression is understood under U.S. corporate law. However, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement in question is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or ultra vires and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law or that would amount to a “fraud on the minority.”

When a takeover offer is made and accepted by holders of 90.0% of the shares within four months, the offerer may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction are thus approved, any dissenting shareholders would have no rights comparable to appraisal rights, which might otherwise ordinarily be available to dissenting shareholders of U.S. corporations and allow such dissenting shareholders to receive payment in cash for the judicially determined value of their shares.

Shareholders’ Suits

We are not aware of any reported class action or derivative action having been brought in a Cayman Islands court. However, a class action suit could nonetheless be brought in a U.S. court pursuant to an alleged violation of U.S. securities laws and regulations. In principle, a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of its authority, could be effected duly if authorized by more than a simple majority vote which has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

Corporate Governance

Cayman Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty of care and owe a fiduciary duty to the companies for which they serve. Under our amended and restated memorandum and articles of association, subject to any separate requirement for audit committee approval under the applicable rules of the New York Stock Exchange or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting.

Board of Directors

We are managed by our board of directors. Our amended and restated memorandum and articles of association provide that the number of our directors will be fixed from time to time by our board of directors but must consist of not more than nine directors. Our directors may be removed by the affirmative vote of shareholders holding at least two-thirds of our outstanding ordinary shares. Any vacancies on our board of directors or additions to the existing board of directors can be filled by way of an ordinary resolution of shareholders or by the affirmative vote of a simple majority of the remaining directors, although this may be less than a quorum. Any director so appointed by the board of directors shall hold office only until our next following annual general meeting and shall then be eligible for re-election. Our directors are not required to hold any of our shares to be qualified to serve on our board of directors.

Meetings of our board of directors may be convened at any time deemed necessary by our secretary on request of a director or by any director. Advance notice of a meeting is not required if each director entitled to attend consents to the holding of such meeting.

Our board of directors is divided into three classes designated as Class I, Class II and Class III, respectively. At the annual general meeting of our shareholders taking place in 2008, the term of office of the Class I directors will expire and Class I directors will be elected for a full term of three years. At the annual general meeting of our shareholders taking place in 2009, the term of office of the Class II directors will expire and Class II directors will be elected for a full term of three years. At the annual general meeting of our shareholders taking place in 2010, the term of office of the Class III directors will expire and Class III directors will be elected for a full term of three years. At each succeeding annual general meeting of our shareholders, directors will be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual general meeting. Each director holds office until the expiration of his or her term, until his or her successor has been duly elected and qualified or until his or her death, resignation or removal.

Committees of Board of Directors

Pursuant to our amended and restated memorandum and articles of association, our board of directors has established an audit committee, a compensation committee and corporate governance and nominating committee as further described in “Management—Committees of our Board of Directors.”

Issuance of Additional Ordinary Shares or Preferred Shares

Our amended and restated memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent available, authorized but unissued shares. The issuance of additional ordinary shares may be used as an anti-takeover device without further action on the part of our shareholders. Such issuance may dilute the voting power of existing holders of ordinary shares.

Our board may authorize by resolution or resolutions from time to time the issuance of one or more classes or series of preferred shares and to fix the designations, powers, preferences and relative, participating, optional

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and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting powers, full or limited or no voting powers, and liquidation preferences, and to increase or decrease the size of any such class or series (but not below the number of shares of any class or series of preferred shares then outstanding) to the extent permitted by applicable law. The resolution or resolutions providing for the establishment of any class or series of preferred shares may, to the extent permitted by applicable law, provide that such class or series shall be superior to, rank equally with or be junior to the preferred shares of any other class or series. Subject to the directors' duty of acting in the best interest of our company, preferred shares can be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. Additionally, the issuance of preference shares may have the effect of decreasing the market price of the ordinary shares and may adversely affect the voting and other rights of the holders of ordinary shares.

Our board of directors may issue series of preferred shares without action by our shareholders to the extent authorized but unissued. Accordingly, the issuance of preferred shares may adversely affect the rights of the holders of our ordinary shares. In addition, the issuance of preferred shares may be used as an anti-takeover device without further action on the part of our shareholders. Issuance of preferred shares may dilute the voting power of holders of ordinary shares.

Registration Rights

No holders of our ordinary shares are entitled to request that we register their ordinary shares under the Securities Act.

Inspection of Books and Records

Holders of ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary shares will be [].

Listing

We have applied to list our ordinary shares on the New York Stock Exchange under the symbol "FN."

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have [] outstanding ordinary shares. As of September 30, 2007, there were 35 holders of our outstanding ordinary shares. All of the ordinary shares sold in this offering will be freely transferable by persons, other than our “affiliates,” without restriction or further registration under the Securities Act. Sales of substantial amounts of ordinary shares in the public market could adversely affect prevailing market prices of our ordinary shares. Prior to this offering, there has been no public market for our ordinary shares, and while we have applied for our ordinary shares to be listed on the New York Stock Exchange, we cannot assure you that a regular trading market will develop in our ordinary shares.

Following the expiration of the lock-up period, [] ordinary shares, including ordinary shares issuable upon the exercise of vested options after the lock-up period ends, will be available for sale in the public market, subject in some cases to the vesting of restricted ordinary shares and to the volume and other restrictions of compliance with Rule 144, Rule 144(k) or Rule 701.

Rule 144

In general, under Rule 144 promulgated pursuant to the Securities Act as currently in effect, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person or persons whose shares are aggregated, who owns shares that were purchased from us, or any affiliate, at least one year previously, is entitled to sell within any three-month period a number of shares that does not exceed the greater of the following:

- 1% of the number of ordinary shares then outstanding, which will equal approximately [] shares immediately after this offering; and
- the average weekly trading volume of our ordinary shares on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission.

Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us. Rule 144 also provides that affiliates that sell our ordinary shares that are not restricted securities must still comply with certain other restrictions of Rule 144 on their manner of sale of our shares, other than the holding period requirement. We are unable to estimate the number of shares that will be sold under Rule 144 because this will depend on the market price for our ordinary shares, the personal circumstances of the shareholder and other factors. Persons who are not our affiliates may be exempt from these restrictions under Rule 144(k) discussed below.

Rule 144(k)

Under Rule 144(k) promulgated pursuant to the Securities Act as currently in effect, a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a proposed sale, and who holds “restricted securities” under Rule 144 that were purchased from us, or any affiliate, at least two years previously, would be entitled to sell shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements described above.

Rule 701

Under Rule 701 promulgated pursuant to the Securities Act, our employees, directors, officers, consultants and advisors who purchased shares from us in connection with a qualified compensatory stock or option plan or other written agreement before the effective date of this offering are generally eligible to resell such shares 90 days after the date of this prospectus in reliance on Rule 144 under the Securities Act. Securities issued in reliance on Rule 701 are “restricted securities” for purposes of Rule 144 and, subject to the contractual

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restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than “affiliates,” as defined in Rule 144, subject only to the manner of sale provisions of Rule 144 and may be sold by “affiliates” in accordance with the requirements of Rule 144 without regard to the one year minimum holding requirement under Rule 144.

Registration Rights

No holders of our ordinary shares are entitled to request that we register their ordinary shares under the Securities Act.

Stock Options

We intend to file a registration statement on Form S-8 under the Securities Act covering all ordinary shares which are either subject to outstanding options or may be issued upon exercise of any options or other equity awards which we may grant or issue in the future pursuant to our stock plans. We expect to file this registration statement as soon as practicable after the date of this prospectus. Shares registered under any registration statements will be available for sale in the open market, except to the extent that the shares are subject to vesting restrictions with us or the contractual restrictions described below.

Lock-up Agreements

We, each of the selling shareholders, all of our officers and directors, and certain of our shareholders and optionholders have agreed that, without the prior written consent of Morgan Stanley & Co. International plc and Deutsche Bank Securities Inc. on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares; or
- enter into any swap or other agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of ordinary shares;

whether any such transaction described above is to be settled by delivery of ordinary shares or such other securities, in cash or otherwise. This agreement is subject to exceptions and in certain circumstances may be extended for up to an additional 18 days, as set forth under the heading “Underwriting.”

The restrictions described above are subject to exceptions and adjustments under certain circumstances. See “Underwriting” for additional details.

TAXATION

The following discussion of the material Cayman Islands and U.S. federal income tax consequences of an investment in our ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change, possibly with retroactive effect. This discussion does not deal with all possible tax consequences relating to an investment in our ordinary shares, such as the tax consequences under state, local and other tax laws. To the extent the discussion relates to matters of United States federal income tax law, and subject to the qualifications herein, it represents the opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, our special United States counsel.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of ordinary shares. There are currently no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties that may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those that hold interests in land in the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- that no law that is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations and
- that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking from the Governor-in-Cabinet for our company is for a period of 20 years from August 24, 1999.

U.S. Federal Income Taxation

The following is a discussion of certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of our ordinary shares. This discussion is not a comprehensive description of all U.S. federal income tax considerations that may be relevant to an investment in our ordinary shares. In addition, this discussion does not address any aspect of U.S. federal gift or estate tax, or the state, local or non-U.S. tax consequences of an investment in our ordinary shares.

This discussion applies to you only if you are an initial purchaser of ordinary shares and you hold and beneficially own ordinary shares as capital assets (generally property held for investment) for tax purposes. This discussion does not apply to you if you are a member of a class of holders subject to special rules, such as:

- dealers in securities;
- traders in securities that elect to use a mark-to-market method of accounting for securities holdings;
- certain financial institutions;
- insurance companies;
- regulated investment companies or real estate investment trusts;
- persons who have ceased to be U.S. citizens or to be taxed as resident aliens;

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- tax-exempt organizations;
- partnerships and other entities treated as partnerships for U.S. federal income tax purposes or persons holding notes through any such entities;
- persons that hold ordinary shares as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- U.S. Holders, as defined below, whose functional currency for tax purposes is not the U.S. dollar;
- persons liable for alternative minimum tax; or
- persons who own or are deemed to own in the aggregate 10% or more of our voting shares.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. In addition, the discussion below related to the PFIC rules relies on our assumptions regarding the projected value of our assets and the nature of our business.

You should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of ordinary shares, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

For purposes of the U.S. federal income tax discussion below, you are a “U.S. Holder” if you beneficially own ordinary shares and are:

- a citizen or resident of the U.S.;
- a corporation, or entity taxable as a corporation, that was created or organized in or under the laws of the U.S. or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect to be treated as a U.S. person.

For U.S. federal income tax purposes, income earned through a U.S. or non-U.S. partnership or other flow-through entity is attributed to its owners. Accordingly, if a partnership or other flow-through entity holds ordinary shares, the tax treatment of the holder will generally depend on the status of the partner or other owner and the activities of the partnership or other flow-through entity.

Dividends on Ordinary Shares

We do not anticipate paying cash dividends on ordinary shares in the foreseeable future. See “Dividend Policy.”

Subject to the discussion under the heading “—PFIC” below, if we do make distributions and you are a U.S. Holder, the gross amount of any distributions you receive on your ordinary shares will be treated as dividend income to the extent of our current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. Dividends (including withheld taxes) will be subject to U.S. federal income tax as ordinary income on the day you actually or constructively receive such income. However, if you are a non-corporate holder and meet certain holding period requirements, dividend distributions on our ordinary shares generally will constitute qualified dividend income for taxable years beginning before January 1, 2011 taxable at a preferential rate (generally 15%) as long as our ordinary shares are readily tradable on the New York Stock Exchange. Legislation was introduced earlier this year that, if enacted, would preclude our dividends from

qualifying for such preferential rate prospectively from the date of enactment. You should consult your own tax advisers as to the rate of tax that will apply to you with respect to dividend distributions, if any, you receive from us.

We do not intend to calculate our earnings and profits according to U.S. tax accounting principles. Accordingly, distributions on our stock, if any, will generally be reported to you as dividend distributions for U.S. tax purposes. If you are a corporation, you will not be entitled to claim the dividends-received deduction with respect to distributions you receive from us.

Sales and Other Dispositions of Ordinary Shares

Subject to the discussion under the heading “—PFIC” below, when you sell or otherwise dispose of ordinary shares, you will generally recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and your tax basis in your ordinary shares. Your tax basis will generally equal the amount you paid for the ordinary shares. Any gain or loss you recognize will be long-term capital gain or loss if you have held the ordinary shares for more than one year at the time of disposition. If you are a non-corporate holder, any such long-term capital gain will generally be taxed at preferential rates (generally 15% for capital gain recognized before January 1, 2011). Your ability to deduct capital losses may be subject to various limitations.

PFIC

We will be classified as a PFIC in any taxable year if either: (i) 75% or more of our gross income for the taxable year is passive income (such as certain dividends, interest or royalties) or (ii) the average percentage value of our gross assets during the taxable year that produce passive income or are held for the production of passive income is at least 50% of the value of our total assets. For purposes of the asset test, any cash, including any cash proceeds from this offering not invested in active assets shortly after this offering, cash equivalents and cash invested in short-term, interest bearing, debt instruments, or bank deposits, that is readily convertible into cash, will generally count as a passive asset. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income.

We operate a contract manufacturing business and do not expect to be a PFIC for the taxable year 2007 or the foreseeable future. Our expectation is based on our projections of the value of our assets as determined based on the expected initial public offering price of our ordinary shares and our expected use of the proceeds from the initial public offering of our ordinary shares and of the other cash that we will hold and generate in the ordinary course of our business. Despite our expectation, there can be no assurance that we will not be a PFIC for any taxable year, as PFIC status is determined each year and depends on the actual facts in such year. We could be a PFIC, for example, if our business and assets evolve in ways that are different from what we currently anticipate. In addition, though we believe that our assets and the income derived from our assets do not generally constitute passive assets or passive income under the PFIC rules, there is no assurance that the IRS will agree with us. *Our special U.S. counsel expresses no opinion with respect to our expectations contained in this paragraph.*

If we are a PFIC in any taxable year, as a U.S. Holder, unless you make the market-to-market election described below, you will generally be subject to additional taxes and interest charges on certain “excess” distribution we make and on any gain realized on the disposition or deemed disposition of your ordinary shares regardless of whether we continue to be a PFIC in the year in which you receive an “excess” distribution or dispose of or are deemed to dispose of your ordinary shares. Distributions in respect of your ordinary shares during the taxable year will generally constitute “excess” distributions if, in the aggregate, they exceed 125% of the average amount of distributions in respect of your ordinary shares over the three preceding taxable years or, if shorter, the portion of your holding period before such taxable year.

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To compute the tax on “excess” distributions or any gain, (i) the “excess” distribution or the gain will be allocated ratably to each day in your holding period; (ii) the amount allocated to the current year and any tax year before we became a PFIC will be taxed as ordinary income in the current year; (iii) the amount allocated to other taxable years will be taxable at the highest applicable marginal rate in effect for that year; and (iv) an interest charge at the rate for underpayment of taxes will be imposed with respect to any portion of the “excess” distribution or gain described under (iii) above that is allocated to such other taxable years. In addition, if we are PFIC, no distribution that you receive from us will qualify for taxation at the preferential rate for non-corporate holders discussed in “—Dividends on Ordinary Shares” above.

The ordinary shares will be “marketable” as long as they remain regularly traded on a national securities exchange, such as the New York Stock Exchange. If we are a PFIC in any such year, you will be able to avoid the “excess” distribution rules described above if you make a timely “mark-to-market” election with respect to your ordinary shares. If you make this election in a timely fashion, you will generally recognize as ordinary income or ordinary loss the difference between the fair market value of your ordinary shares on the last day of any taxable year and your adjusted tax basis in the ordinary shares. Any ordinary income resulting from this election will generally be taxed at ordinary income rates. Any ordinary losses will be deductible only to the extent of the net amount of previously included income as a result of the mark-to-market election, if any. Your adjusted tax basis in the ordinary shares will be adjusted to reflect any such income or loss. You should consult with your own tax adviser regarding potential advantages and disadvantages to you of making a “mark-to-market” election with respect to your ordinary shares.

We will not provide you with the information necessary to make a Qualified Electing Fund election. Accordingly, you will not be able to make or maintain such an election with respect to your ordinary shares.

If we are a PFIC in any year, as a U.S. Holder, you will be required to make an annual return on IRS Form 8621 regarding your ordinary shares. You should consult with your own tax adviser regarding reporting requirements with regard to your ordinary shares.

U.S. Information Reporting and Backup Withholding Rules

In general, dividend payments with respect to the ordinary shares and the proceeds received on the sale or other disposition of those ordinary shares may be subject to information reporting to the IRS, and to backup withholding (currently imposed at a rate of 28%). Backup withholding will not apply, however, if you (i) are a corporation or come within certain other exempt categories and, if required, can demonstrate that fact or (ii) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding and otherwise comply with the applicable backup withholding rules. To establish your status as an exempt person, you will generally be required to provide certification on IRS Form W-9, W-8BEN or W-8ECI, as applicable. Any amounts withheld from payments to you under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that you furnish the required information to the IRS.

PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY ADDITIONAL TAX CONSEQUENCES RESULTING FROM PURCHASING, HOLDING OR DISPOSING OF ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION, INCLUDING ESTATE, GIFT AND INHERITANCE LAWS.

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the U.S. underwriters named below, for whom Morgan Stanley & Co. Incorporated and Deutsche Bank Securities Inc. are acting as the U.S. representatives, and the international underwriters named below, for whom Morgan Stanley & Co. International plc and Deutsche Bank Securities Inc. are acting as the international representatives, have severally agreed to purchase, and we and the selling shareholders have agreed to sell to them, severally, the number of ordinary shares indicated below:

<u>Name</u>	<u>Number of Ordinary Shares</u>
U.S. Underwriters	
Morgan Stanley & Co. Incorporated	
Deutsche Bank Securities Inc.	
ABN AMRO Rothschild LLC	
Thomas Weisel Partners LLC	
Cowen and Company, LLC	
Subtotal	
International Underwriters	
Morgan Stanley & Co. International plc	
Deutsche Bank Securities Inc.	
ABN AMRO Rothschild LLC	
Thomas Weisel Partners LLC	
Cowen International Limited	
Subtotal	
Total	

The U.S. underwriters and the international underwriters, and the U.S. representatives and the international representatives, are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the ordinary shares subject to their acceptance of the shares from us and the selling shareholders and subject to prior sale. The underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the ordinary shares offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the ordinary shares offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the ordinary shares covered by the underwriters’ over-allotment option described below.

In the agreement between the U.S. and international underwriters, sales may be made between the U.S. underwriters and international underwriters of any number of ordinary shares as may be mutually agreed. The per ordinary share price of any ordinary shares sold by the underwriters shall be the public offering price listed on the cover page of this prospectus, in United States dollars, less an amount not greater than the per ordinary share amount of the concession to dealers described below.

The underwriters initially propose to offer part of the ordinary shares directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of []% of the principal amount of the ordinary shares. After the initial offering of the ordinary shares, the offering price and other selling terms may from time to time be varied by the representatives.

We and the selling shareholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an additional [] ordinary shares at the initial public offering price listed on the cover page of this prospectus, less the underwriting discounts and commissions set forth on the same. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in

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connection with the offering of ordinary shares offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional ordinary shares as the number listed next to the underwriter's name in the preceding table bears to the total number of ordinary shares listed next to the names of all underwriters in the preceding table. If the underwriters' over-allotment option is exercised in full, the total price to the public would be \$[], the total underwriting discounts and commissions would be \$[], and the total proceeds to us would be \$[].

The following table shows the per ordinary share and total underwriting discounts and commissions we and the selling shareholders will pay the underwriters. The underwriting discounts and commissions will be determined by negotiations among us and the representatives and will be a percentage of the offering price to the public. Among the factors to be considered in determining the discounts and commissions are the size of the offering, the nature of the security to be offered and the discounts and commissions charged in comparable transactions. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

<u>Underwriting Discounts and Commissions</u>	<u>No Exercise</u>	<u>Full Exercise</u>
Per ordinary share	\$	\$
Total by us	\$	\$
Total by the selling shareholders	\$	\$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$[].

We have also granted to Thomas Weisel Partners LLC a right of first refusal to participate in certain future offerings. The Financial Industry Regulatory Authority, or FINRA, has deemed this right of first refusal a form of compensation received in connection with the offering. Pursuant to the FINRA rules, such a right of first refusal will be deemed 1% of underwriting compensation.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of ordinary shares offered by them.

We have applied for the listing of the ordinary shares on the New York Stock Exchange under the symbol "FN."

We have agreed that, without the prior written consent of the representatives on behalf of the underwriters, we will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our ordinary shares.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of ordinary shares to the underwriters;
- issuance by us of ordinary shares upon exercise of an option of warrant or the conversion of a security outstanding on the closing of this offering and disclosed herein;

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- issuance by us of employee stock options, restricted stock or similar employee equity awards pursuant to equity plans described in this prospectus;
- transactions relating to ordinary shares of other securities acquired in open market transactions after the completion of this offering, provided that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of ordinary shares or other securities acquired in such open market transactions; or
- certain transfers of distributions of ordinary shares of any security convertible into ordinary shares, provided that the transferees or distributees also agree to be bound by these lock-up restrictions and provided that no filing under Section 16(a) of the Exchange Act reporting a reduction in beneficial ownership of ordinary shares, shall be required or shall be voluntarily made during the lock-up period.

Each of the selling shareholders, all of our directors and officers and certain of our shareholders and optionholders have agreed that, without the prior written consent of the representatives on behalf of the underwriters, they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of ordinary shares.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of ordinary shares to the underwriters;
- transactions relating to ordinary shares or other securities acquired in open market transactions after the completion of this offering, provided that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of ordinary shares or other securities acquired in such open market transactions; or
- certain transfers or distributions of ordinary shares or any security convertible into ordinary shares, provided that the transferees or distributees also agree to be bound by these lock-up restrictions and provided that no filing under Section 16(a) of the Exchange Act reporting a reduction in beneficial ownership of ordinary shares, shall be required or shall be voluntarily made during the lock-up period.

In order to facilitate the offering of the ordinary shares, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the ordinary shares. Specifically, the underwriters may sell more ordinary shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of ordinary shares available for purchase by the underwriters under their option to purchase additional ordinary shares. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing ordinary shares in the open market. In determining the source of ordinary shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of ordinary shares compared to the price available under the option. The underwriters may also sell ordinary shares in excess of the option, creating a naked short position. The underwriters must close out any naked short position by purchasing ordinary shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ordinary shares in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for,

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and purchase, ordinary shares in the open market to stabilize the price of the ordinary shares. These activities may raise or maintain the market price of the ordinary shares above independent market levels or prevent or retard a decline in the market price of the ordinary shares. As a result, the price of the ordinary shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters participating in this offering. The representatives may agree to allocate a number of ordinary shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us and our affiliates, for which they received or will receive customary fees and expenses.

The address of Morgan Stanley & Co. Incorporated is 1585 Broadway, New York NY 10036, U.S. The address of Morgan Stanley & Co. International plc is 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom. The address of Deutsche Bank Securities Inc. is 60 Wall Street, New York, NY, 10005 U.S. The address of ABN AMRO Rothschild LLC is Park Avenue Plaza, 6th Floor, 55 East 52nd Street, New York, NY 10055, U.S. The address of Thomas Weisel Partners LLC is 390 Park Avenue, 2nd Floor, New York, NY 10022, U.S. The address of Cowen and Company, LLC is 1221 Avenue of the Americas, New York, NY 10020, U.S. The address of Cowen International Limited is 1 Snowden Street, 11th Floor, London EC2AZDQ, United Kingdom.

Pricing of this Offering

Prior to this offering, there has been no public market for the ordinary shares. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price will be our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours.

The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions and other factors.

Selling Restrictions

No action has been or will be taken by us or by any underwriter in any jurisdiction except in the U.S. that would permit a public offering of the ordinary shares, or the possession, circulation or distribution of a prospectus or any other material relating to us and the ordinary shares in any country or jurisdiction where action for that purpose is required. Accordingly, the ordinary shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other material or advertisements in connection with this offering may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), an offer of the ordinary shares to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the ordinary shares which has been approved by the competent authority in that

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Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the ordinary shares to the public in that Relevant Member State at any time,

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- in any other circumstances which do not require us to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

provided that no such offer of ordinary shares shall result in a requirement for us to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of shares to the public” in relation to any ordinary shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ordinary shares to be offered so as to enable an investor to decide to purchase or subscribe the ordinary shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom. An offer of the ordinary shares may not be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Markets Act 2000 (as amended) (FSMA) except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require us to publish a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA).

An invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) may only be communicated to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to us.

All applicable provisions of the FSMA with respect to anything done by the underwriters in relation to the ordinary shares must be complied with in, from or otherwise involving the United Kingdom.

France. Neither this prospectus nor any offering material relating to ordinary shares has been or will be submitted to the “Commission des Opérations de Bourse” for approval (“Visa”) in France, and the ordinary shares will not be offered or sold and copies of this prospectus or any offering material relating to the ordinary shares may not be distributed, directly or indirectly, in France, except to qualified investors (“investisseurs qualifiés”) and/or a restricted group of investors (“cercle restreint d’investisseurs”), in each case acting for their account, all as defined in, and in accordance with, Article L. 411-1 and L. 411-2 of the Monetary and Financial Code and “Décret” no. 98-880 dated October 1, 1998.

Germany. This prospectus is not a Securities Selling Prospectus (Verkaufsprospekt) within the meaning of the German Securities Prospectus Act (Verkaufsprospektgesetz) of September 9, 1998, as amended, and has not been filed with and approved by the German Federal Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) or any other German governmental authority. The ordinary shares may not be offered or sold and copies of this prospectus or any document relating to the ordinary shares may not be

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distributed, directly or indirectly, in Germany except to persons falling within the scope of paragraph 2 numbers 1, 2 and 3 of the German Securities Prospectus Act. No steps will be taken that would constitute a public offering of the ordinary shares in Germany.

Italy. This offering of the ordinary shares has not been registered with the Commissione Nazionale per le Società e la Borsa or “CONSOB,” in accordance with Italian securities legislation. Accordingly, the ordinary shares may not be offered, sold or delivered, and copies of this prospectus or any other document relating to the ordinary shares may not be distributed in Italy except to Professional Investors, as defined in Art. 31.2 of CONSOB Regulation no. 11522 of July 1, 1998, as amended, pursuant to Art. 30.2 and Art. 100 of Legislative Decree no. 58 of February 24, 1998 (or the Finance Law) or in any other circumstance where an express exemption to comply with the solicitation restrictions provided by the Finance Law or CONSOB Regulation no. 11971 of May 14, 1999, as amended (or the Issuers Regulation) applies, including those provided for under Art. 100 of the Finance Law and Art. 33 of the Issuers Regulation, and provided, however, that any such offer, sale or delivery of the ordinary shares or distribution of copies of this prospectus or any other document relating to the ordinary shares in Italy must (i) be made in accordance with all applicable Italian laws and regulations; (ii) be made in compliance with Article 129 of Legislative Decree no. 385 of September 1, 1993, as amended, or the “Banking Law Consolidated Act,” and the implementing guidelines of the Bank of Italy (Istruzioni di Vigilanza per le banche) pursuant to which the issue, trading or placement of securities in the Republic of Italy is subject to prior notification to the Bank of Italy, unless an exemption applies depending, inter alia, on the amount of the issue and the characteristics of the securities; (iii) be conducted in accordance with any relevant limitations or procedural requirements the Bank of Italy or CONSOB may impose upon the offer or sale of the securities; and (iv) be made only by (a) banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of the Banking Law Consolidated Act, to the extent duly authorized to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Banking Law Consolidated Act and the relevant implementing regulations; or by (b) foreign banks or financial institutions (the controlling shareholding of which is owned by one or more banks located in the same EU Member State) authorized to place and distribute securities in the Republic of Italy pursuant to Articles 15, 16 and 18 of the Banking Law Consolidated Act, in each case acting in compliance with every applicable law and regulation.

Switzerland. The ordinary shares may not be offered or sold to any investors in Switzerland other than on a non-public basis. This prospectus does not constitute a prospectus within the meaning of Article 652a and Art. 1156 of the Swiss Code of Obligations (Schweizerisches Obligationenrecht). Neither this offering nor the ordinary shares have been or will be approved by any Swiss regulatory authority.

Hong Kong. The ordinary shares may not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore. This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ordinary shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or

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indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA; (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest howsoever described in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (for corporations, under 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

Japan. The ordinary shares may not be offered or sold directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, "Japanese person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

LEGAL MATTERS

We are being represented by Wilson Sonsini Goodrich & Rosati, Professional Corporation, with respect to matters of U.S. federal securities and New York state law. Certain legal matters as to U.S. federal securities and New York state law will be passed upon for the underwriters by Davis Polk & Wardwell. Certain legal matters as to Thai law will be passed upon for us by Chandler and Thong-EK Law Offices Limited. The validity of the ordinary shares offered in this offering and certain other legal matters as to Cayman Islands law will be passed upon for us and the selling shareholders by Walkers.

EXPERTS

Our consolidated financial statements as of June 30, 2007 and 2006 and for the years ended June 30, 2007, 2006 and 2005 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers ABAS Limited, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a Registration Statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the ordinary shares offered hereby. This prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the ordinary shares offered hereby, we refer you to the Registration Statement and the exhibits and schedules filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document are summaries of the material terms of this contract, agreement or other document. With respect to each of these contracts, agreements or other documents filed as an exhibit to the Registration Statement, reference is made to the exhibits for a more complete description of the matter involved. The Registration Statement, and the exhibits and schedules thereto, may be inspected and copied at the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is www.sec.gov.

Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act and we intend to file reports, proxy statements and other information with the Securities and Exchange Commission.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Fabrinet

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Fabrinet and its subsidiaries (the "Group") at June 30, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

For PricewaterhouseCoopers ABAS Limited
October 31, 2007

FABRINET
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2007 AND 2006
(in thousands of U.S. dollars, except share data)

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$40,873	\$40,063
Trade accounts receivable, net	50,328	46,348
Trade accounts receivable, related parties	26,208	48,239
Inventories, net	76,439	70,650
Deferred income taxes	669	1,407
Prepaid expenses and other current assets	3,386	1,493
Total current assets	<u>197,903</u>	<u>208,200</u>
Non-current assets		
Property, plant and equipment, net	39,846	31,025
Deferred income taxes	1,726	996
Deposits and other non-current assets	606	594
Total non-current assets	<u>42,178</u>	<u>32,615</u>
Total assets	<u>\$ 240,081</u>	<u>\$ 240,815</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term loans and long-term loans from banks, current portion	\$25,673	\$20,508
Trade accounts payable	38,805	62,975
Trade accounts payable, related parties	8,823	19,110
Other payables, related party, current portion	2,840	15,857
Income tax payable	1,875	209
Advance for business wind-down	311	4,839
Accrued termination pay and closure costs	59	3,153
Accrued payroll, profit sharing and related expenses	5,411	4,808
Deferred revenues, current portion	2,715	7,596
Accrued expenses and other payables	9,123	4,289
Total current liabilities	<u>95,635</u>	<u>143,344</u>
Non-current liabilities		
Long-term loans from banks, non-current portion	9,825	12,498
Other payables, related party, non-current portion	1,755	3,995
Deferred revenues, non-current portion	1,358	131
Severance liabilities	1,953	1,222
Other non-current liabilities	200	942
Total non-current liabilities	<u>15,091</u>	<u>18,788</u>
Total liabilities	<u>110,726</u>	<u>162,132</u>
Commitments and contingencies (Note 18)		
Shareholders' equity		
Ordinary shares (35,000,000 shares authorized, \$0.01 par value; 29,761,539 shares and 29,560,158 shares issued and outstanding on June 30, 2007 and 2006, respectively)	298	296
Additional paid-in capital	26,473	25,705
Warrants	97	181
Deferred stock compensation	—	(247)
Retained earnings	102,487	52,748
Total shareholders' equity	<u>129,355</u>	<u>78,683</u>
Total Liabilities and Shareholders' Equity	<u>\$ 240,081</u>	<u>\$ 240,815</u>

The accompanying notes are an integral part of these consolidated financial statements.

FABRINET
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2007, 2006 AND 2005
(in thousands of U.S. dollars)

	2007	2006	2005
Revenues:			
Revenues	\$ 487,028	\$ 370,443	\$ 201,908
Income from production wind-down and transfer agreements	9,115	5,216	44
Total revenues	<u>496,143</u>	<u>375,659</u>	<u>201,952</u>
Cost of revenues	(423,858)	(339,682)	(190,633)
Gross profit	72,285	35,977	11,319
Selling, general and administrative expenses	<u>(18,036)</u>	<u>(10,935)</u>	<u>(6,389)</u>
Operating income	54,249	25,042	4,930
Interest income	1,370	1,015	508
Interest expense	(2,842)	(3,346)	(834)
Foreign exchange (loss) gain, net	<u>(336)</u>	<u>(181)</u>	<u>165</u>
Income before income taxes	52,441	22,530	4,769
Income tax	<u>(2,702)</u>	<u>(1,076)</u>	<u>730</u>
Net income	<u>\$49,739</u>	<u>\$21,454</u>	<u>\$5,499</u>
Earnings per share			
Basic	\$1.68	\$0.73	\$0.19
Diluted	1.60	0.71	0.18
Weighted average number of ordinary shares outstanding (thousands of shares)			
Basic	29,600	29,469	29,451
Diluted	31,077	30,403	30,032

The accompanying notes are an integral part of these consolidated financial statements.

FABRINET
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2007, 2006 AND 2005
(in thousands of U.S. dollars, except share data)

	Ordinary Shares		Additional Paid-in Capital	Warrants	Deferred Stock Compensation	Retained Earnings	Total
	Shares	Amount					
Balances at June 30, 2004	29,450,748	\$ 295	\$ 25,374	\$ 225	\$ (309)	\$25,795	\$51,380
Net income	—	—	—	—	—	5,499	5,499
Deferred compensation related to employee share option plan	—	—	6	—	(6)	—	—
Amortization related to employee share option plan, net of forfeiture	—	—	(53)	—	212	—	159
Balances at June 30, 2005	29,450,748	295	25,327	225	(103)	31,294	57,038
Net income	—	—	—	—	—	21,454	21,454
Deferred compensation related to employee share option plan	—	—	304	—	(304)	—	—
Amortization related to employee share option plan, net of forfeiture	—	—	(34)	—	160	—	126
Shares issued under employee share option plan	65,000	1	64	—	—	—	65
Shares issued upon exercise of warrant	44,410	—	44	(44)	—	—	—
Balances at June 30, 2006	29,560,158	296	25,705	181	(247)	52,748	78,683
Net income	—	—	—	—	—	49,739	49,739
Reversal of deferred compensation related to employee share option plan on application of SFAS 123(R)	—	—	(247)	—	247	—	—
Share-based compensation expense related to employee share option plan	—	—	811	—	—	—	811
Shares issued under employee share option plan	117,838	1	120	—	—	—	121
Shares issued upon exercise of warrant	83,543	1	84	(84)	—	—	1
Balances at June 30, 2007	29,761,539	\$ 298	\$ 26,473	\$ 97	\$ —	\$ 102,487	\$ 129,355

The accompanying notes are an integral part of these consolidated financial statements.

FABRINET
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007, 2006 AND 2005
(in thousands of U. S. dollars)

	2007	2006	2005
Cash flows from operating activities			
Net income for the year	\$49,739	\$21,454	\$5,499
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	6,360	5,592	3,473
Impairment losses	75	—	60
Gain on disposal of property, plant and equipment	(21)	(24)	(73)
Reversal of allowance for doubtful accounts	(44)	(8)	—
Allowance for warranties	(497)	253	146
Unrealized gain on exchange rate	(122)	(32)	(250)
Share-based compensation	811	126	159
Deferred income tax	8	442	(756)
Amortization of deferred revenues	(9,116)	(5,216)	(44)
Provision for severance liabilities	731	913	174
Inventory obsolescence	916	1,183	(441)
Changes in operating assets and liabilities			
Trade accounts receivable	(3,936)	(25,730)	(7,393)
Trade accounts receivable, related parties	22,031	(11,799)	(20,487)
Inventories	(6,705)	(12,050)	(11,439)
Prepaid expense and other current assets	(1,917)	615	(196)
Deposits and other non-current assets	(51)	(29)	—
Trade accounts payable	(24,170)	37,617	8,150
Trade accounts payable, related parties	(10,287)	3,321	7,539
Other payables, related party	269	760	(869)
Income tax payable	1,666	183	26
Advance for business wind-down	(4,528)	(7,725)	7,627
Accrued termination pay and closure costs	(3,094)	(1,609)	4,122
Deferred revenues	5,462	12,830	157
Accrued expenses and other payables	2,664	4,006	37
Net cash provided by (used in) operating activities	<u>26,244</u>	<u>25,073</u>	<u>(4,935)</u>
Cash flows from investing activities			
Acquisition of businesses, net of cash acquired	—	—	7,929
Purchase of property, plant and equipment	(12,820)	(12,286)	(5,976)
Purchase of assets for lease under direct financing leases	(32)	(743)	(1,071)
Proceeds from direct financing leases	141	2,129	1,600
Proceeds from disposals of property, plant and equipment	331	55	133
Net cash (used in) provided by investing activities	<u>(12,380)</u>	<u>(10,845)</u>	<u>2,615</u>
Cash flows from financing activities			
Receipts from long-term loans from banks	1,000	9,900	8,100
Repayments of long-term loans from banks	(4,908)	(4,398)	(3,906)
Short-term loans from banks, net	6,400	(4,102)	9,958
Installment payments for production wind-down and transfer agreements and acquisitions	(15,526)	(18,360)	(4,564)
Repayment of capital lease liabilities	(221)	(233)	(68)
Proceeds from issue of common shares under employee stock option plan	122	65	—
Net cash (used in) provided by financing activities	<u>(13,133)</u>	<u>(17,128)</u>	<u>9,520</u>
Net increase (decrease) in cash and cash equivalents	<u>731</u>	<u>(2,900)</u>	<u>7,200</u>
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year	40,063	42,953	35,765
Increase (decrease) in cash and cash equivalents	731	(2,900)	7,200
Effect of exchange rate on cash and cash equivalents	79	10	(12)
Cash and cash equivalents at end of year	<u>\$40,873</u>	<u>\$40,063</u>	<u>\$42,953</u>
Supplemental disclosures			
Cash paid for			
Interest	\$2,654	\$2,496	\$708
Taxes	676	463	1
Cash received for interest	1,369	800	429

The accompanying notes are an integral part of these consolidated financial statements.

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1. Business and organization

General

Fabrinet (“Fabrinet” or the “Company”) was incorporated on August 12, 1999, and commenced operations on January 1, 2000. The Company is an exempted company incorporated with limited liability, and is domiciled in the Cayman Islands, British West Indies. Fabrinet and its direct and indirect subsidiaries are referred to as the “Group”.

The Group is a leading provider of foundry services to optical component, module and subsystem, or optics, OEMs. The Group also designs, manufactures and sells application-specific bulk optical materials and components, such as glass, crystals, prisms, lenses, laser components and substrates. Recently, the Group has also begun to provide foundry services to the sensors market.

The Company has the following direct and indirect subsidiaries:

- Fabrinet Co., Ltd. (“Fabrinet Thailand”), incorporated in Thailand on September 29, 1999;
- Fabrinet, incorporated in the United States of America in the State of California on October 12, 1999 (was renamed Fabrinet USA, Inc. subsequent to June 30, 2007);
- E2O Communications Pte Ltd., incorporated in Singapore, and PT E2O Communications Indonesia, incorporated in the Republic of Indonesia, were both acquired on December 6, 2004;
- FBN New Jersey Holdings Corp., incorporated in the United States of America in the State of Delaware on May 10, 2005 (was renamed FBN New Jersey Manufacturing, Inc. subsequent to June 30, 2007);
- Fabrinet China Holdings, incorporated in Mauritius, and CASIX, Inc., incorporated in the People’s Republic of China, were both acquired on May 29, 2005; and
- FBN Canada Manufacturing, Inc., incorporated in Ottawa, Canada on February 9, 2006.

Asia Pacific Growth Fund III, L.P. held 57.9%, 59.2% and 59.9% of the Company’s share capital (fully diluted) at June 30, 2007, 2006 and 2005, respectively.

2. Accounting policies

2.1 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) and include the Company and its direct and indirect subsidiaries listed in Note 1. All inter-company accounts and transactions have been eliminated.

Fiscal years

The Group maintains its financial records on the basis of a fiscal year ending on June 30 with fiscal quarters ending on the Friday closest to the end of the period (thirteen-week periods). For comparative presentation purposes, all accompanying consolidated financial statements and notes thereto have been shown as ending on June 30.

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Use of estimates

The preparation of the Group's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of total revenues and expense during the year. The Group bases estimates on historical experience and various assumptions about the future that are believed to be reasonable based on available information. The Group's reported financial position or results of operations may be materially different under different conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies, which are discussed below. Significant assumptions are used in accounting for business combinations, share-based compensation, income taxes and inventory obsolescence, among others. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information.

Fair value of financial instruments

The carrying amounts of certain financial instruments, which include cash and cash equivalents, trade accounts receivable, trade accounts payable, and borrowings approximate their fair values due to their short maturities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Cash and cash equivalents

All highly liquid investments with maturities of three months or less from original dates of purchase are carried at fair market value and considered to be cash equivalents. Cash and cash equivalents consist of cash deposited in checking and money market accounts.

Accounts receivable

Accounts receivable are carried at anticipated realisable value. The Group assesses the collectibility of its accounts receivable based on specific customer circumstances, current economic trends, historical experience with collection and the age of past due receivables and provides an allowance for doubtful receivables based on a review of all outstanding amounts at the period end. Bad debts are written off when identified.

Unanticipated changes in the liquidity or financial position of the Group's customers may require revision to the allowances for doubtful accounts.

Concentration of credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist of cash and cash equivalents and accounts receivable.

As of June 30, 2007 and 2006, substantially all of the Group's cash and cash equivalents were held in or invested with large creditworthy banks.

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Accounts receivable include amounts due from companies which are monitored by the Group for credit worthiness. Accounts receivable from individual customers that were equal to or greater than 10% of accounts receivable as of June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Customer A	23%	27%
Customer B	20	39
Customer C	13	12
Customer D	12	*
Customer E	12	*

* Less than 10% of accounts receivable in the period.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the standard costing method which approximates actual cost computed on a first-in, first-out basis not in excess of net realizable market value. Market value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The Group assesses the valuation on a quarterly basis and writes down the value for estimated excess and obsolete inventory based upon estimates of future demand.

Operating leases

Payments made under operating leases are charged on a straight-line basis over the lease term.

Property, plant and equipment

Land is stated at historical cost. Other property, plant and equipment, except for construction and machinery under installation, are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Building and building improvements	10 - 30 years
Leasehold improvements	Lease period
Manufacturing equipment	3 - 5 years
Office equipment	5 years
Motor vehicles	5 years
Computer hardware and software	3 - 5 years

Construction and machinery under installation are stated at historic cost; depreciation begins after they are fully constructed or installed and are used in the operations of the Group.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the consolidated statements of operations.

Business combinations

The Group accounts for acquired businesses using the purchase method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values.

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The cost to acquire a business includes the amount of cash paid, amounts that are contingently payable and amounts payable on the basis of earn-out arrangements, deferred consideration and transaction costs, all at fair value. The cost is allocated to the underlying net assets, including pre-acquisition contingencies, of the acquired business at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. When the Group acquires net assets that do not constitute a business, the purchase consideration is allocated to the individual assets and liabilities acquired.

The judgments made in determining the estimated fair values assigned to each class of assets acquired and liabilities assumed, as well as asset useful lives, can materially impact the Group's results of operations. Useful lives are determined based on the expected future period of benefit of the assets, which considers various characteristics of the asset, including projected cash flows.

In cases where a part of the agreed purchase consideration is payable in the future, the discounted present value of such consideration is included in the cost of acquisition and recorded as a liability. Where such future amounts payable do not carry any interest rate or an interest rate which does not approximate the Group's incremental borrowing rate for the relevant period, interest is imputed on such amounts using the incremental borrowing rate.

Impairment or disposal of long-lived assets (plant and equipment and other intangible assets)

The Group tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to:

- Significant decreases in the market price of the asset;
- Significant adverse changes in the business climate or legal factors;
- Accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset;
- Current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; or
- Current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life.

Recoverability of long-lived assets or asset groups is measured by comparing their carrying amount to the projected undiscounted cash flows that the long-lived assets or asset groups are expected to generate. If such assets are considered to be impaired, the impairment loss recognized, if any, is the amount by which the carrying amount of the property and equipment exceeds its fair value.

Borrowing costs

Borrowing costs are accounted for on an accrual basis and are charged to the consolidated statements of operations in the year incurred, except for interest costs on borrowings to finance certain qualifying assets. Such costs to finance qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use, as part of the cost of the assets. All other borrowing costs are expensed as incurred.

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The capitalization rate used to determine the amount of interest to be capitalized is the weighted average interest rate applicable to the Group's outstanding borrowings during the year. Where funds are borrowed specifically for the acquisition, construction or production of assets, the amount of borrowing costs eligible for capitalization on the respective assets is determined at the actual borrowing costs incurred on that borrowing during the respective periods.

Foreign currency transactions and translation

The consolidated financial statements are presented in United States Dollars (“\$” or “USD”).

The functional currency of Fabrinet and its subsidiaries is the USD. Transactions in currencies other than the functional currency are translated into the functional currency at the rates of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the balance sheet date. Transaction gains and losses are included in other income and expense, net, in the accompanying consolidated statements of operations.

Deferred revenues

Deferred revenues, current and non-current, represent the unrecognized income from the production wind-down and transfer agreements the Group entered into during 2006 and 2005 as further described in Notes 3-5. The balances represent the net cash consideration received from the respective agreements that will be recognized on a straight-line basis over the estimated wind-down period and the product life cycle of the products transferred to Thailand under those various agreements, which are estimated to range between 12 to 25 months. Deferred revenues are amortized to income after the expiration of any contingency. The recognition of the deferred revenues is included in income from production wind-down and transfer agreements in the accompanying consolidated statements of operations.

Revenue recognition

The Group derives total revenues primarily from the fabrication of bulk optical materials and components, the assembly of products under supply agreements with its customers and income from production wind-down and transfer agreements. Revenues represent the invoiced value of products, net of trade discounts and allowances, and excludes goods and services tax. The Group recognizes revenues when they are realized or realizable and earned. The Group considers revenues realized or realizable and earned when there is persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. Delivery does not occur until products have been shipped or services have been provided to the customer, risk of loss has transferred to the customer and customer acceptance has been obtained, customer acceptance provisions have lapsed, or the Group has objective evidence that the criteria specified in the customer acceptance provisions have been satisfied. In situations where a formal acceptance is required but the acceptance only relates to whether the product meets its published specifications, revenues are generally recognized upon shipment provided all other revenue recognition criteria are met. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved. The Group reduces revenues for rebates and other similar allowances. Revenues are recognized only if these estimates can be reasonably and reliably determined.

The Group bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In addition to the aforementioned general policies, the following are the specific revenue recognition policies for each major category of revenues.

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Services

The Group provides services for its customers that range from contract design to product manufacturing. The Group recognizes service revenues when the services have been performed, and the related costs are expensed as incurred.

Sales of goods

Revenues from sales of goods are generally recognized when the product is shipped to the customer and when there are no unfulfilled Group obligations that affect the customer's final acceptance of the arrangement. Any cost of warranties and remaining obligations that are inconsequential or perfunctory are accrued when the corresponding revenues are recognized.

Production wind-down and transfer agreements

The Group enters into production wind-down and transfer agreements, which usually include several elements such as: (i) the temporary management or operation of a manufacturing facility or production line that produces optical products, which the parties have agreed will be manufactured and produced by the Group on an ongoing basis at the Group's facilities in Thailand; (ii) winding down the facilities and terminating the employees; (iii) transferring production to the Group's facilities in Thailand or the customer's other locations; (iv) the acquisition of inventory, other assets, liabilities or employee termination obligations necessary to temporarily manage and wind down the facility; and (v) reimbursement of operating expenses and losses and service fees. The Group enters into these agreements because the Group believes that providing the transfer production services facilitates a more efficient transfer for the Group and eases the requirements of the Group's customers during the transfers. The Group may also obtain additional technical expertise during the wind-down period which benefits the transfer of production to Thailand. Generally, these agreements do not meet the definition of a business, as described below, because the Group does not have the risk and rewards of ownership during the temporary management and wind-down period as the Group is reimbursed for all operating expenses and losses and the agreements usually provide for additional compensation for the transfer services provided. Because each production wind-down and transfer agreement is unique, the transactions are accounted for on a case by case basis (see Notes 3, 4 and 5) as multiple element agreements.

To the extent that a deliverable in a multiple element agreement is subject to specific guidance, that deliverable is accounted for in accordance with such specific guidance. A multiple-element agreement is separated into more than one unit of accounting if all of the following criteria are met:

- The delivered item(s) has value to the client on a standalone basis.
- There is objective and reliable evidence of the fair value of the undelivered item(s).
- If the agreement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the Group's control.

If these criteria are not met, the income from production wind-down and transfer agreements is deferred until the earlier of when such criteria are met or when the last undelivered element is delivered. If there is objective and reliable evidence of fair value for all units of accounting in an agreement, the agreement consideration is allocated to the separate units of accounting based on each unit's relative fair value. In cases in which there is objective and reliable evidence of fair value of the undelivered item(s) but no such evidence for the delivered item(s) exists, the residual method is used to allocate the agreement consideration. Under the

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residual method, the amount of consideration allocated to the delivered item(s) equals the total agreement consideration less the aggregate fair value of the undelivered item(s).

If the deliverables included in the single unit of accounting include services and the above separation criteria are not met, the income from production wind-down and transfer agreements is recognized after the expiration of any contingency on a straight-line basis over the estimated wind-down period and product life cycle of the products transferred to Thailand.

Income taxes

In accordance with Statement of Financial Accounting Standards No. 109 “Accounting for Income Tax” (“SFAS 109”), the Group uses the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company’s subsidiaries are subject to income tax audits by the respective tax authorities in all of the jurisdictions in which they operate. The determination of tax liabilities in each of these jurisdictions requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. The Group recognizes liabilities based on its estimate of whether, and the extent to which, additional tax liabilities are probable. If the Group ultimately determines that the payment of such a liability is not probable, then it reverses the liability and recognizes a tax benefit during the period in which the determination is made that the liability is no longer probable. The recognition and measurement of current taxes payable or refundable and deferred tax assets and liabilities requires the Group to make certain estimates and judgments. Changes to these estimates or a change in judgment may have a material impact on the Group’s tax provision in a future period.

Employee contribution plan

The Group operates a defined contribution plan, known as a provident fund, in its Thailand subsidiary. The assets of this plan are in a separate trustee-administered fund. The provident fund is funded by matching payments from employees and by the subsidiary on a monthly basis. Current contributions to the provident fund are accrued and paid to the fund manager on a monthly basis. The Group’s contributions to the provident fund amounted to \$1,279, \$906 and \$732 in the years ended June 30, 2007, 2006 and 2005, respectively. The Group sponsors the Fabrinet US 401(k) Retirement Plan (the “401(k) Plan”), a Defined Contribution Plan under ERISA, at its Fabrinet USA, Inc. and FBN New Jersey Manufacturing, Inc. subsidiaries, which provides retirement benefits for its eligible employees through tax deferred salary deductions. The 401(k) Plan allows employees to contribute up to 80% of their annual compensation, with such per employee contributions limited to \$16, \$16 and \$15 in the calendar years ended December 31, 2008, 2007 and 2006, respectively.

The 401(k) Plan provided for a 100% match by the Group’s U.S. subsidiaries of employees’ contributions up to 3%, with a 50% match of employees’ contributions for an additional 2% (maximum company match is 4% on an employee 5% contribution).

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The Group's aggregate contributions to the 401(k) Plan amounted to \$40, \$12 and \$0 for the years ended June 30, 2007, 2006 and 2005, respectively.

Severance liabilities

Under labor protection laws applicable in Thailand and under the Fabrinet Thailand employment policy, all employees of Fabrinet Thailand with more than 120 days of service are entitled to severance pay on forced termination or retrenchment or in the event that the employee reaches the retirement age of 55. The entitlement to severance pay is determined according to an employee's individual employment tenure with the Group and is subject to a maximum benefit of 10 months salary unless otherwise agreed upon in an employee's employment contract. The Group accounts for this severance liability on an actuarial basis using the Projected Unit Credit Method. There are no separate plan assets held in respect of this liability.

Annual leave

Employee entitlements to annual leave are recognized when they accrue to the employee. On termination of employment accrued employee entitlement to annual leave is paid in cash.

Warranty provision

Provisions for estimated expenses relating to product warranties are made at the time the products are sold using historical experience. The provisions will be adjusted when experience indicates an expected settlement will differ from initial estimates.

Customer returns and warranty cost allowances of \$497 were reversed to the consolidated statement of operations for the year ended June 30, 2007 and allowances of \$253 and \$146 were charged to the consolidated statements of operations for the years ended June 30, 2006 and 2005, respectively.

Shipping and handling costs

The Group records costs related to shipping and handling in cost of revenues for all periods presented.

Share-based compensation

Effective July 1, 2006, the Group adopted Statement of Financial Accounting Standard No. 123, "Share-Based Payment (Revised 2004)," or SFAS 123(R) on a prospective basis. Until June 30, 2006, the Group accounted for share-based compensation using the intrinsic value method under Accounting Principles Board Number 25 "Accounting for Stock Issued to Employees" ("APB 25").

Net income per ordinary share

Net income per share is calculated in accordance with Statement of Financial Accounting Standards, No. 128 "Earnings Per Share," or SFAS 128, and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 98, or SAB 98. Under the provisions of SFAS 128 and SAB 98, basic net income per share is computed by dividing the net income available to ordinary shareholders for the period by the weighted average number of ordinary shares outstanding during the period. Diluted net income per ordinary share is

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computed by dividing the net income for the period by the weighted average number of ordinary and potential ordinary shares outstanding during the period if their effect is dilutive.

2.2 New Accounting Pronouncements

SFAS 157

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements,” or SFAS 157, to provide enhanced guidance when using fair value to measure assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 applies whenever other pronouncements require or permit assets or liabilities to be measured at fair value and, while not requiring new fair value measurements, may change current practices. SFAS 157 is effective for the Group beginning in fiscal year 2009. The Group is currently evaluating the impact SFAS 157 will have on its consolidated financial statements.

SFAS 159

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB No. 115,” or SFAS 159. SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for the Group beginning fiscal year 2009. The Group is currently evaluating the impact SFAS 159 will have on its consolidated financial statements.

FIN 48

In June 2006, FASB issued interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (FAS No. 109),” or FIN 48. This interpretation prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, the Group determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that is more likely than not of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in: (i) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable; (ii) a reduction in a deferred tax asset or an increase in a deferred tax liability; or (iii) both (i) and (ii). Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FAS No. 109 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance

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for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Group is currently evaluating the impact FIN 48 will have on its consolidated financial statements.

3. December 2004 Agreement

On December 6, 2004, Fabrinet entered into a production wind-down and transfer agreement (the “December 2004 Agreement”) with an existing customer. Under the terms of the December 2004 Agreement, Fabrinet agreed to: (i) purchase certain inventory located at the customer’s Singapore and Indonesian facilities, and certain current assets, including cash and cash equivalents, and other current assets; (ii) assume certain current liabilities, including accrued expenses and other payables, and other current liabilities; (iii) manage and operate the Singapore and Indonesian facilities for an interim period while transferring the production lines to Fabrinet’s manufacturing facilities in Thailand; (iv) wind down and close the customer’s facilities, terminate the employees and liquidate the legal entities; and (v) amend the existing contract manufacturing agreement between Fabrinet and the customer to include the manufacturing of products transferred from the customer’s facilities to the Group’s facilities in Thailand.

Pursuant to the terms of the December 2004 Agreement, Fabrinet: (i) agreed to pay the customer cash totalling \$7,327 in four equal quarterly installments (the fair value of the payments, based on a discount rate of 4.01% per annum, is \$7,170); (ii) would be reimbursed for all the net operating losses (revenues less expenses), production wind-down and transfer costs, and costs to terminate all the existing employees upon completion of the wind-down, up to a maximum amount of \$3,000; and (iii) was entitled to receive a management fee equal to 50% of any savings below the \$3,000 maximum reimbursement fee if closure occurred within nine months of the transaction date.

The Group has accounted for this agreement as follows:

- cash and cash equivalents, inventory and net current liabilities at fair value;
- employee termination provisions recorded when the termination plan was established and communicated to the employees based on the amount expected to settle the obligation;
- revenues, cost of sales and expenses incurred for the operation, wind-down and closure of the facilities were recognized in the statement of operations when products were sold and expenses incurred, including fees of \$1,284 related to raw material handling services;
- reimbursements of losses on the sale of products and operating and other costs recorded as a reduction in: cost of revenues of \$5, \$154, and \$108 for the years ended June 30, 2007, 2006 and 2005, respectively, and SG&A expenses of \$33, \$55, and \$188 for the years ended June 30, 2007, 2006 and 2005, respectively, as losses and expenses were incurred and reimbursements received;
- reimbursements received in advance of incurred costs are reflected as advancements until the related expenditure is incurred; and
- \$915 of contingent consideration, equal to 50% of the savings below the \$3,000 maximum reimbursement fee, was recorded in income from production wind-down and transfer agreements after the expiration of the contingency on a straight-line basis over the product life cycle of the products transferred to Thailand under the amended contract manufacturing agreement.

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4. May 2005 Agreement

On May 29, 2005, Fabrinet entered into a production wind-down and transfer agreement with an existing customer (the “May 2005 Agreement”). Under the terms of the May 2005 Agreement, Fabrinet agreed to: (i) purchase certain inventory in place at the customer’s facility in New Jersey; (ii) manage and operate the New Jersey facility for an interim period while transferring certain production lines to the Group’s manufacturing facilities in Thailand and to the customer’s other manufacturing facilities; (iii) wind down and close the New Jersey facility and terminate the employees; (iv) amend the existing contract manufacturing agreement between Fabrinet and the customer to include the manufacturing of products transferred from New Jersey to Thailand; (v) purchase certain other assets (including the VitroCom tradename) and property, plant and equipment of the customer’s VitroCom facility (“VitroCom Business”); and (vi) purchase 100% of the shares of Fujian JDSU China Holding, Inc., a Mauritius company, which owns 100% of the shares of Fujian JDSU CASIX, Inc., a wholly foreign-owned enterprise organized under the Laws of the People’s Republic of China (“CASIX Business”). The VitroCom Business and CASIX Business were accounted for as business combinations. The remaining elements of the agreement were accounted for as described below. The consideration paid and cash received was allocated to the separate elements of the agreement, including to the VitroCom Business and CASIX Business based on the fair value of each of the elements.

Pursuant to the terms of the May 2005 Agreement, Fabrinet: (i) agreed to purchase inventory, consisting of raw materials, work in progress, and finished goods; (ii) would be reimbursed approximately \$17,000 for all the net operating losses (revenues less expenses), production wind-down transfer costs, and costs to terminate all the existing employees upon completion of the wind-down of the New Jersey facility; and (iii) agreed to pay the customer cash totalling \$10,700 in sixteen quarterly installments through March 2009 (the fair value of the payments, based on a discount rate of 5.14% per annum, is \$9,788) and cash of \$16,261 in four equal quarterly installments (the fair value of the payments based on a discount rate of 5.14% per annum is \$15,690). The New Jersey operations were closed on or about November 30, 2005. The VitroCom Business and CASIX Business have continued to operate uninterrupted.

The Group has accounted for this agreement as follows:

- inventory acquired at fair value;
- employee termination provisions recorded when the termination plan was established and communicated to the employees based on the amount expected to settle the obligation;
- revenues, cost of sales and expenses incurred for the operation, wind-down and closure of the New Jersey facility recognized in the statement of operations when products were sold and expenses incurred;
- reimbursements of losses on the sale of products and operating and other costs recorded as a reduction in: cost of revenues of \$6,458 and \$1,014 for the years ended June 30, 2006 and 2005, respectively, and SG&A expenses of \$1,356 and \$313 for the years ended June 30, 2006 and 2005, respectively, as losses and expenses were incurred and reimbursements were received;
- reimbursements received in advance of incurred costs are reflected as advancements until the related expenditure is incurred;
- \$11,689 net consideration from the production wind-down and transfer agreements is recorded in income from production wind-down and transfer agreements on a straight-line basis over the estimated wind-down period and product life cycle of the products transferred to Thailand under the amended contract manufacturing agreement; and

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- acquisition of the VitroCom Business and the CASIX Business accounted for as business combinations with all assets and liabilities acquired recorded at fair value.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed as at May 29, 2005, in conjunction with the acquisitions of both the VitroCom Business and the CASIX Business:

	<u>May 29, 2005</u>
VitroCom Business	
Allocation of net assets acquired:	
Inventory	\$293
Other current assets	156
Property, plant and equipment	191
Total net assets acquired	<u>\$640</u>
CASIX Business	
Allocation of net assets acquired:	
Cash and cash equivalents	\$7,929
Accounts receivable	1,594
Inventories	1,100
Other current assets	707
Property, plant and equipment	4,413
Deferred taxes, net	2,067
Accounts payable—trade	(874)
Accounts payable—related company	(886)
Accrued expenses and other payables	(444)
Total net assets acquired	<u>\$15,606</u>

5. February 2006 Agreement

On February 13, 2006, Fabrinet entered into a production wind-down and transfer agreement (the “February 2006 Agreement”) with an existing customer. Under the terms of the February 2006 Agreement, Fabrinet agreed to: (i) purchase certain inventory in place at the customer’s facility; (ii) manage and operate the facility for an interim period while transferring certain production lines to Fabrinet’s manufacturing facilities in Thailand, to the customer’s other manufacturing facilities and to third parties; (iii) wind down and close the facility and terminate the employees; and (iv) amend the existing contract manufacturing agreement between Fabrinet and the customer to include the manufacturing of the customer’s products transferred to Thailand.

Pursuant to the terms of the February 2006 Agreement, Fabrinet: (i) agreed to pay the customer cash totalling \$8,961 in monthly installments based on consumption of the purchased inventory; (ii) would be reimbursed for all the net operating losses (revenues less expenses), production wind-down and transfer costs, and costs to terminate all the existing employees upon completion of the wind-down; and (iii) was entitled to receive a \$4,000 fee for the management, transfer and closure services. The operations were closed on September 30, 2006.

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Fabrinet has accounted for this agreement as follows:

- inventory at fair value;
- employee termination provisions recorded when the termination plan was established and communicated to the employees based on the amount expected to settle the obligation;
- revenues, cost of sales and expenses incurred for the operation, wind-down and closure of the facility were recognized in the statement of operations when products were sold and expenses incurred;
- reimbursements of losses on the sale of products and operating and other costs recorded as a reduction in: cost of revenues of \$2,820 and \$6,683 for the years ended June 30, 2007 and 2006, respectively, and SG&A expenses of \$4,099 and \$3,942 for the years ended June 30, 2007 and 2006, respectively, as losses and expenses were incurred and reimbursements received;
- reimbursements received in advance of incurred costs are reflected as advancements until the related expenditure is incurred; and
- \$5,686 net consideration from the production wind-down and transfer agreements is recorded in income from production wind-down and transfer agreements on a straight-line basis over the estimated wind-down period and product life cycle of the products transferred to Thailand under the amended contract manufacturing agreement.

6. Income tax

Cayman Islands

The Company is domiciled in the Cayman Islands. Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gains. The Company has received this undertaking for the twenty year period ending August 24, 2019.

PRC

CASIX, the Company's wholly owned indirect subsidiary, qualifies as a foreign investment production enterprise in the Fuzhou, PRC economic development zone where the prevailing income tax rate is 24%. However, since CASIX is an export company with an annual export value over 70% of total production value, CASIX receives a 50% tax deduction. For the years ended June 30, 2007 and 2006, the applicable income tax rate for CASIX is 12%. The 50% tax deduction resulted in an income tax benefit for CASIX of \$882, \$54 and \$20 for the years ended June 30, 2007, 2006 and 2005, respectively.

During fiscal 2007, PRC adopted a new Unified Enterprise Income Tax Law which will take effect on January 1, 2008. Pursuant to the law, a new 25% statutory tax rate should apply to most companies beginning January 1, 2008, subject to certain transitional rules and other potential special incentives which have not yet been announced officially. Due to the uncertainties of how the final transition rules may impact the phase-in of the new tax rate, the Group measured the increase in its deferred taxes, assuming the old tax rate of 12% for the deferred tax planned to be utilized before January 1, 2008 and the new tax rate of 25% for the balance of deferred tax, which resulted in a \$718 net tax benefit. To the extent that the final transitional rules provide for a different tax rate from that which the Group has assumed, the measurement of the Group's deferred taxes will change accordingly at that time.

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The Group's income tax expense (benefit) consisted of the following:

	Year Ended June 30,		
	2007	2006	2005
Current	\$2,694	\$ 634	\$ 27
Deferred	8	442	(757)
Total income tax expense (benefit)	<u>\$2,702</u>	<u>\$1,076</u>	<u>\$(730)</u>

The Company is domiciled in the Cayman Islands, a jurisdiction that does not currently levy direct taxation. Income of the Company exempted from corporate income tax in the Cayman Islands amounted to \$39,220, \$14,830, and \$4,253 in the years ended June 30, 2007, 2006 and 2005, respectively.

The reconciliation of the actual tax on the Group's profit before tax to the theoretical amount that would arise by applying the basic tax rate of the country of the Group's principal operations, Thailand, to pre-tax profit is as follows:

	Year Ended June 30,		
	2007	2006	2005
Profit before tax	\$ 52,441	\$22,530	\$ 4,769
Tax calculated at a corporate income tax rate of 30 percent	15,732	6,759	1,431
Income tax rate differential for non-Thailand operations	(1,199)	(922)	(104)
Income not subject to tax	(11,776)	(4,763)	(1,037)
Income tax on unremitted earnings	260	—	—
China tax rate change	(718)	—	—
Reversal of valuation allowance on carry forward tax losses	—	(614)	(853)
Others	393	616	(167)
Corporate income tax charge	<u>\$ 2,702</u>	<u>\$ 1,076</u>	<u>\$ (730)</u>

As at June 30, 2007, the Group had tax losses carried forward relating to Fabrinet Thailand and CASIX which can be carried forward for a period of 5 years following the year in which they arose. Valuation allowances had been created in respect of the tax losses carried forward in prior years; however, these allowances were released in the years ending 2006 and 2005 on the basis that Fabrinet Thailand and CASIX would generate sufficient taxable income prior to the expiration of the tax losses.

Details of the carried forward tax losses and valuation allowances are as follows:

	Year Ended June 30,		
	2007	2006	2005
Brought forward tax losses	\$ 1,562	\$ 2,855	\$1,170
Carry forward tax losses from acquisition of CASIX	—	—	2,005
Carry forward tax losses utilized in the year	(1,142)	(1,293)	(320)
Carry forward tax losses	420	1,562	2,855
Brought forward valuation allowance	—	614	853
Release of valuation allowance	—	(614)	(853)
Valuation allowance from acquisition of CASIX	—	—	614
Carry forward valuation allowances	—	—	614
Net carry forward tax losses	<u>\$ 420</u>	<u>\$ 1,562</u>	<u>\$2,241</u>

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The Group's deferred tax assets and deferred tax liabilities at each balance sheet date are as follows:

	<u>Years Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
<i>Deferred tax assets:</i>		
Depreciation	\$1,062	\$588
Accruals allowed for tax on cash basis	292	369
Reserve and allowance	605	244
Carry forward tax losses	420	1,562
Deferred revenues	399	243
Other temporary difference	13	10
Total deferred tax assets	<u>\$2,791</u>	<u>\$3,016</u>
<i>Deferred tax liabilities:</i>		
Severance liability	(263)	(445)
Deferred cost of service and expense	(133)	(168)
Total deferred tax liabilities	<u>\$(396)</u>	<u>\$(613)</u>
Net deferred tax assets	<u>\$2,395</u>	<u>\$2,403</u>

Current deferred income tax assets and liabilities and non-current deferred income tax assets and liabilities are offset when the income taxes relate to the same tax jurisdiction. The following amounts are shown in the consolidated balance sheets:

Deferred income tax assets—current	\$776	\$1,575
Deferred income tax liabilities—current	(107)	(168)
Current deferred income tax—net	669	1,407
Deferred income tax assets—non current	1,752	1,160
Deferred income tax liabilities—non current	(26)	(164)
Non current deferred income tax—net	1,726	996
Net deferred income tax assets	<u>\$2,395</u>	<u>\$2,403</u>

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of Fabrinet Thailand. Such amounts of Fabrinet Thailand are permanently reinvested; its unremitted earnings totalled \$7,231 and \$3,534 at June 30, 2007 and 2006, respectively. Deferred income tax liabilities have not been established for the unremitted earnings of CASIX as the tax laws of Mauritius and the Cayman Islands provide a means by which the Group's investment can be recovered tax free. Income tax liabilities have been established for the unremitted earnings of FBN Canada Manufacturing, Inc.

7. Earnings per ordinary share

Basic earnings per ordinary share are computed by dividing reported net income by the weighted average number of ordinary shares outstanding during each period.

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Diluted earnings per ordinary share are computed by dividing reported net income by the weighted average number of ordinary shares and dilutive ordinary equivalent shares outstanding during each period. Dilutive ordinary equivalent shares consist of share options and share warrants.

	Years Ended June 30,		
	2007	2006	2005
Net income attributable to shareholders	\$49,739	\$21,454	\$5,499
Weighted average number of ordinary shares outstanding (thousands of shares)	29,600	29,469	29,451
Basic earnings per share (in dollars)	\$1.68	\$0.73	\$0.19

Diluted earnings per share is calculated as follows:

	Years Ended June 30,		
	2007	2006	2005
Net income used to determine diluted earnings per share	\$49,739	\$21,454	\$5,499
Weighted average number of ordinary shares outstanding (thousands of shares)	29,600	29,469	29,451
Adjustment for incremental shares arising from assumed exercise of share options and share warrants (thousands of shares)	1,477	934	581
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	31,077	30,403	30,032
Diluted earnings per ordinary share (in dollars)	\$1.60	\$0.71	\$0.18

8. Cash and cash equivalents

	As of June 30,	
	2007	2006
Cash at banks and on hand	\$19,872	\$18,093
Short term bank deposits	21,001	21,970
Total cash and cash equivalents	<u>\$40,873</u>	<u>\$40,063</u>

The weighted average effective interest rate on short term bank deposits was 5.16% and 4.09% per annum for the years ended June 30, 2007 and 2006, respectively.

9. Allowance for doubtful accounts

The activities and balances for allowance for doubtful accounts as of June 30, 2007, 2006 and 2005 are as follows:

	Balance at beginning	Charged to expenses	Deduction	Balance at end of period
Allowance for doubtful accounts				
Year ended June 30, 2007	\$ 242	\$ —	\$ (44)	\$ 198
Year ended June 30, 2006	250	—	(8)	242
Year ended June 30, 2005	250	—	—	250

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10. Inventories

	As of June 30,	
	2007	2006
Raw materials	\$48,851	\$50,523
Work in progress	26,703	17,466
Finished goods	4,447	5,306
	80,001	73,295
Less: Inventory obsolescence	(3,562)	(2,645)
Inventories, net	<u>\$76,439</u>	<u>\$70,650</u>

11. Property, plant and equipment, net

The components of property, plant and equipment, net were as follows:

	Land	Building and building improvement	Manufacturing equipment	Office equipment	Motor vehicles	Computers and software	Construction and machinery under installation	Total
At June 30, 2006								
Cost	\$3,201	\$13,768	\$23,968	\$2,004	\$528	\$7,111	\$122	\$50,702
Less: Accumulated depreciation	—	(1,649)	(12,999)	(835)	(229)	(3,965)	—	(19,677)
Net book value	<u>\$3,201</u>	<u>\$12,119</u>	<u>\$10,969</u>	<u>\$1,169</u>	<u>\$299</u>	<u>\$3,146</u>	<u>\$122</u>	<u>\$31,025</u>
At June 30, 2007								
Cost	5,428	14,730	31,567	2,591	674	8,875	6,671	70,536
Less: Accumulated depreciation	—	(2,571)	(21,419)	(1,081)	(341)	(5,278)	—	(30,690)
Net book value	<u>\$5,428</u>	<u>\$12,159</u>	<u>\$10,148</u>	<u>\$1,510</u>	<u>\$333</u>	<u>\$3,597</u>	<u>\$6,671</u>	<u>\$39,846</u>

Depreciation expense was \$6,360, \$5,592 and \$3,473 for the years ended June 30, 2007, 2006 and 2005, respectively. Cost of assets held under capital leases were vehicles at cost \$219, \$219 and \$219, computer at cost \$537, \$537 and \$0 and total accumulated amortization under capital leases of \$348, \$98 and \$54 at June 30, 2007, 2006 and 2005, respectively.

In the years ended June 30, 2007, 2006 and 2005, the Group recorded charges for asset impairment of \$75, \$0 and \$60, respectively, for certain manufacturing equipment that was being held for disposal as the equipment was no longer required for business operations. Assets held for disposal are not subject to depreciation. This equipment was written down to its fair value less costs to sell.

Depreciation expense is allocated between cost of revenues and SG&A expenses in the consolidated statements of operations.

Impairment charge is included in SG&A expenses in the consolidated statements of operations.

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The cost of fully depreciated property, plant and equipment written-off during the years ended June 30, 2007, 2006 and 2005 was \$274, \$403 and \$356, respectively.

12. Borrowings

Bank borrowings and long-term debt related to continuing operations was comprised of the following:

	As of June 30,	
	2007	2006
Short-term bank borrowings	\$22,000	\$15,600
Long-term loans from banks	13,498	17,406
Total borrowings	\$35,498	\$33,006
<i>Long-term loan from banks consisted of:</i>		
Current portion	\$ 3,673	\$ 4,908
Non-current portion	9,825	12,498

Short-term bank borrowings represent promissory notes and packing credits that are due within 1 month to 6 months and bear interest at rates ranging from 6.94% to 7.15% per annum and 6.91% to 7.84% per annum in the years ended June 30, 2007 and 2006, respectively. In order to secure a short-term credit facility with a lender, the Group has provided security by the pledge of certain trade receivables.

At June 30, 2007 and 2006, the Group had outstanding borrowings under long-term loan agreements with banks totalling \$13,498 and \$17,406, respectively, which consisted of:

Contract No.	Total facilities		Amount		Interest rate per annum (%)	Conditions	Repayment term
	2007	2006	2007	2006			
1	\$22,000	\$ —	\$ 1,000	\$ —	SIBOR + 1.5% per annum	Repayable in quarterly installments within 8 years	June 2007 - May 2015
2	4,000	4,000	2,175	3,175	LIBOR + 2.25% per annum	Repayable in 24 installments every 6 months	March 2005 - March 2010
3	2,000	2,000	333	701	SIBOR + 2.0% per annum	Repayable in quarterly installments within 3 years	May 2005 - April 2008
4	3,000	3,000	—	1,200	LIBOR + 2.5% per annum	Repayable in semi-annual installments within 4 years	July 2004 - June 2007
5	6,000	6,000	4,000	5,000	SIBOR + 1.5% per annum	Repayable in semi-annual installments within 7 years	April 2004 - February 2011
6	8,000	8,000	5,990	7,330	SIBOR + 1.5% per annum	Repayable in semi-annual installments within 7 years	June 2005 - November 2011
Total	\$45,000	\$23,000	\$13,498	\$17,406			

The long-term loans are secured by certain property, plant and equipment. The carrying amount of assets secured and pledged as collateral was \$18,882 and \$19,599 at June 30, 2007 and June 30, 2006, respectively. The carrying amounts of borrowings are approximately their fair value.

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Certain of the long-term loans require Fabrinet and its various subsidiaries to comply with covenants, under which the approval of the lenders is required for certain transactions, which include, but are not limited to: incurring additional indebtedness or guarantees; declaration or payment of dividends; and sale or purchase of assets. The covenants also prescribe certain maximum ratios of debt to earnings before interest, taxes and depreciation and amortization, debt to equity or debt to tangible net worth ratios, and minimum levels of interests and debt service coverage ratios.

The bank borrowings and long-term debt contain various restrictive covenants, including the maintenance of certain financial ratios, limitation on the ability to transfer, lend, pledge, or mortgage certain assets of the Group, the need for reassessment of the valuation of certain collateral assets, and the need to maintain a separate debt service reserve account. The Group received waivers from two banks for violations of certain covenants, including a waiver for the mortgaging of certain assets under a separate lending agreement; a waiver for not obtaining an annual reassessment of the valuation of certain collateral assets as required by the lending agreement; a waiver for not opening a separate debt service reserve account to fund the required principal and interest payments of the respective loans; and a waiver for a breach of certain financial ratios, including violating the Debt / Equity Ratio as of June 2005, the Debt / Equity Ratio as of December 2005, and the Debt Service Coverage Ratio as of December 2006 for outstanding lines of credit totaling \$13,165 at June 30, 2007. In addition to the covenant violation waivers obtained, the respective banks have also agreed to amend certain of the financial ratios and restrictive covenants.

In addition to the restrictive covenants, certain of the Group's packing credits and long-term loans include customary events of default and subjective acceleration clauses. There is no requirement for the Group to maintain a lock-box arrangement under these agreements. As such, the non-current portions of the long-term loans are classified as non-current liabilities in the consolidated balance sheet.

The movements of long-term loans for the period ended June 30 were as follows:

	<u>2007</u>	<u>2006</u>
Opening net book amount	\$17,406	\$11,904
Additional loans during the year	1,000	9,900
Repayment during the year	(4,908)	(4,398)
Closing net book amount	<u>\$13,498</u>	<u>\$17,406</u>

Maturities of long-term debt are as follow:

2008	\$ 3,673
2009	3,313
2010	2,751
2011	2,507
2012	797
Thereafter	457
Total	<u>\$13,498</u>

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Credit facilities:

Unutilized credit facilities at June 30 totaled:

	2007	2006
Bank borrowings:		
Short-term loans	\$20,000	\$3,900
Long-term loans	25,000	—

13. Severance liabilities

	2007	2006
At the beginning of the fiscal year	\$1,222	\$949
Charged to statement of operations	731	273
At the end of the fiscal year (June 30)	\$1,953	\$1,222

Severance payments of \$5, \$0 and \$0 were paid in the years ended June 30, 2007, 2006 and 2005, respectively.

The amount recognized in the balance sheet at June 30 is determined as follows:

	2007	2006
Present value of defined benefit obligation	\$1,953	\$1,222
Liability in balance sheet	\$1,953	\$1,222

The amount recognized in the statement of operations is as follows:

	Year Ended June 30,		
	2007	2006	2005
Current service cost	\$ 636	\$ 201	\$ 124
Interest cost	95	72	50
Total included in staff costs	\$ 731	\$ 273	\$ 174

The principal actuarial assumptions used were as follows:

	Year Ended June 30,		
	2007	2006	2005
Discount rate (percent)	6.0	7.0	7.0
Future salary increases (percent)	4.6	4.7	4.6

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14. Share-based compensation and warrants*Share-based compensation**Periods prior to the adoption of SFAS 123(R)*

Prior to the adoption of SFAS 123(R), the Group measured compensation expense for its employee share-based compensation in accordance with the intrinsic value method under APB 25 and related interpretations. Under this method, compensation expense exists when the exercise price of options granted to employees is less than the fair market value of the underlying share on the grant date. The Group then recognizes compensation expense over the applicable vesting period using the accelerated method and classifies these amounts in the statement of operations based on the department to which the related employee reports. Where the exercise price of the share option has equalled or exceeded the fair market value of the underlying ordinary share at the date of grant, no compensation expense has been recorded. Prior to July 1, 2006, the Group utilized the minimum value method to comply with the disclosure-only provisions of SFAS 123, Accounting for Stock-Based Compensation, as amended by SFAS 148, Accounting for Stock-Based Compensation, Transition, Disclosure, an amendment of SFAS 123. The following table illustrates the effect on net income and net income per ordinary share as if the Group had applied the fair value recognition provisions of SFAS 123(R) to options granted under the Group's share-based compensation plans prior to the adoption. For purposes of this pro forma disclosure the value of the options was estimated using a Black-Scholes-Merton ("BSM") option-pricing formula and amortized using the accelerated method over the respective vesting periods of the awards. Disclosures for the year ended June 30, 2007 are not presented because share-based payments were accounted for under SFAS 123(R)'s fair value method during this period.

<i>(In thousands, except per share amounts)</i>	Year Ended June 30,	
	2006	2005
Reported net income	\$21,454	\$5,499
Add: Share-based compensation expense under APB 25	126	159
Less: Pro forma share-based compensation expense under SFAS 123	(203)	(218)
Pro forma net income	<u>\$21,377</u>	<u>\$5,440</u>
Basic and diluted earnings per ordinary share		
As reported—Basic	\$0.73	\$0.19
—Diluted	0.71	0.18
Pro forma—Basic	0.73	0.18
—Diluted	0.70	0.18
Weighted average number of ordinary shares—Basic	29,469	29,451
—Diluted	30,403	30,032

These pro forma results may not be representative of future compensation expense because additional options may be granted in the future with different assumptions used to calculate the grant date fair values and the related compensation expense.

Adoption of SFAS 123(R)

Effective July 1, 2006, the Group adopted the fair value recognition provisions of SFAS 123(R). Under the fair value recognition provisions of SFAS 123(R), the Group applied the prospective transition method

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and measured share-based compensation at fair value on the awards' grant date based on the estimated number of awards that are expected to vest. Under the prospective transition method, the Group continues to account for outstanding non-vested awards under the provisions of APB 25. Awards granted (or modified, repurchased, or cancelled) after the adoption of SFAS 123(R) are accounted for under the provisions of SFAS 123(R). SFAS 123(R) requires companies to recognize the cost of employee service received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. In determining the grant date fair value of those awards, the Group is required to make estimates of the fair value of the Group's ordinary shares, expected dividends to be issued, expected volatility of the Group's shares, expected forfeitures of the awards, risk free interest rates for the expected term of the awards, expected terms of the awards, and the vesting period of the respective awards. The effect of recording share-based compensation expense for the year ended June 30, 2007 was as follows:

	<u>2007</u>
Share-based compensation expense by type of award:	
Employee share options	
Total share-based compensation expense	\$811
Tax effect on share-based compensation expense	—
Net effect on share-based compensation expense	<u>\$811</u>
Effect on income per ordinary share:	
Basic	\$0.03
Diluted	\$0.03

Share-based compensation expense was recorded in the consolidated statements of operations as follows: cost of revenues of \$373, \$64 and \$57 for the years ended June 30, 2007, 2006 and 2005, respectively, and SG&A expenses of \$437, \$62 and \$102 for the years ended June 30, 2007, 2006 and 2005, respectively. The Group did not capitalize any share-based compensation expense as part of any assets during the years ended June 30, 2007, 2006 and 2005.

As a result of adopting SFAS 123(R) on July 1, 2006, the Group's income for fiscal 2007 was approximately \$34 lower than if the Group had continued to account for share-based compensation under APB 25.

Prior to the adoption of SFAS 123(R), forfeitures were recognized as they occurred and compensation previously recognized was reversed for forfeitures of unvested share-based awards. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures differ from those estimates. The cumulative effect from this change in accounting principle was not material for fiscal 2007.

Share option activity

Share options have been granted to directors and employees. On March 16, 2007, the Group amended and restated its 1999 Share Option Plan to increase the number of ordinary shares authorized for issuance under the 1999 Share Option Plan by 300,000 ordinary shares, such that the aggregate number of shares reserved under the 1999 Share Option Plan is 3,442,857 shares.

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At June 30, 2007, Fabrinet had 144,057 ordinary shares available for future option grants to employees and directors under its Amended and Restated 1999 Share Option Plan. The board of directors has the authority to determine the type of option and the number of shares subject to the option. During the years ended June 30, 2007, 2006 and 2005, the Group granted options to purchase an aggregate of 287,600, 182,900 and 443,200 ordinary shares, respectively, with an estimated total grant date fair value of \$1,888, \$697 and \$857, respectively, and a weighted average grant date fair value of \$6.56, \$3.81 and \$1.93 per share, respectively.

The weighted average exercise price of options granted during the year ended June 30, 2007 was \$3.36 per share. The total fair value of shares vested during the year ended June 30, 2007, 2006 and 2005 was \$3,312, \$1,525 and \$34, respectively. The total intrinsic value of options exercised during the year ended June 30, 2007, 2006 and 2005 was \$1,293, \$341 and \$0, respectively. In conjunction with these exercises, there was no tax benefit realized by the Company due to the fact that it is exempted from income tax. The amount of cash received from the exercise of share options and similar instrument granted under share-based payment plans was \$121 during the year ended June 30, 2007.

As of June 30, 2007, \$1,303 of estimated share-based compensation expense related to stock options remains to be recorded. That cost is expected to be recorded over an estimated amortization period of 2.53 years.

Determining fair value

Valuation Method—The Group estimated the fair value of the ordinary shares to be used in the BSM option-pricing formula by taking into consideration a number of assumptions, including revenues and price to earnings multiples of publicly traded competitors and industry comparables, and applied a reasonable discount.

Expected Dividend—The Group has never paid dividends on its ordinary shares and currently does not intend to do so, and accordingly, the dividend yield percentage is zero for all periods.

Expected Volatility—As the Group is a privately held organization and does not have actively traded ordinary shares that would enable management to calculate an expected volatility, management has based its expected volatility on a comparable industry index volatility as a reasonable measure of expected volatility in accordance with the guidance of FAS 123(R).

Risk-Free Interest Rate—The Group bases the risk-free interest rate used in the BSM valuation method on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term of the option.

Expected Term—Expected terms used in the BSM option-pricing formula represent the periods that the Group's stock options are expected to be outstanding and are determined based on the Group's historical experience of similar awards, giving consideration to the contractual terms of the share options, vesting schedules and expectations of future employee behaviour.

Vesting Period—The Group's share options generally are vested and become exercisable over a four-year period, which is generally the requisite service period, and have a 7 year expiration period. 25 percent of shares subject to options vest 12 months after the vesting commencement date and $\frac{1}{48}$ of the shares vest each month for the thirty-six months thereafter.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Fair Value—The fair value of the Group's share options granted to employees for the years ended June 30, 2007, 2006 and 2005 was estimated using the following weighted-average assumptions:

	2007	2006	2005
Dividend yield	—	—	—
Expected volatility	63%	—	—
Risk-free rate of return (percent)	4.76	3.87	3.79
Expected term (in years)	4.00	4.00	4.00

The following summarizes activities under the 1999 Share Option Plan:

	Number of shares underlying options			Weighted-average exercise price per share		
	Year Ended June 30,			Year Ended June 30,		
	2007	2006	2005	2007	2006	2005
Shares underlying options outstanding at beginning of the year	1,595,138	1,596,413	1,613,859	\$ 1.51	\$ 1.42	\$ 1.38
Granted	287,600	182,900	443,200	3.36	2.15	1.75
Exercised	(117,838)	(65,000)	—	1.02	1.00	—
Forfeited	(23,833)	(77,600)	(211,900)	2.24	1.80	1.70
Expired	(15,492)	(41,575)	(248,746)	1.70	1.16	1.49
Shares underlying options outstanding at end of the year	<u>1,725,575</u>	<u>1,595,138</u>	<u>1,596,413</u>	<u>1.84</u>	<u>1.51</u>	<u>1.42</u>
Shares underlying options exercisable at end of the year	<u>1,179,420</u>	<u>1,021,254</u>	<u>842,233</u>	<u>\$ 1.51</u>	<u>\$ 1.37</u>	<u>\$ 1.26</u>

The following summarizes information for share options outstanding at June 30, 2007:

Number of shares underlying options	Exercise price	Weighted average remaining contractual life (years)
197,000	\$ 1.00	0.48
812,500	1.50	2.94
283,375	1.75	4.49
72,700	2.00	5.23
66,600	2.25	5.68
24,400	2.75	6.03
58,000	3.00	6.40
203,800	3.50	6.43
7,200	4.00	6.90
<u>1,725,575</u>		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Warrants

In March 2000, the Group granted a contingent warrant to purchase 1,285,714 ordinary shares to a director, employee and founding shareholder in conjunction with the sale of shares to Asia Pacific Growth Fund III, L.P., an affiliate of H&Q Asia Pacific. The contingent warrant vests as shares are sold to third parties or at a rate of one ordinary share subject to the warrant for every four ordinary shares that vest pursuant to options granted under the Amended and Restated 1999 Employee Share Option Plan. The contingent warrant was granted to the individual in his capacity as a shareholder to protect the founding shareholder from dilution and is not tied to his continued service as a director or employee. The Group has accounted for the contingent warrant in accordance with Emerging Issues Task Force (“EITF”) 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock* and EITF 01-06 *The Meaning of “Indexed to a Company’s Own Stock”*. The warrant may only be settled by the issuance of ordinary shares and cannot be settled for cash. Pursuant to the EITF guidance, the contingent warrant was accounted for as issued on the date of grant in March 2000 at fair value and recorded as a dividend in shareholders equity. Subsequent exercises are recorded as a reclassification from warrant to ordinary shares. At June 30, 2007 and 2006, the Group had reserved 97,175 and 180,718 ordinary shares, respectively, for future exercise of the warrant. The unvested portion of the warrant expires on December 31, 2010.

Other than the warrant described above, there are no outstanding warrants to purchase securities of the Group.

The following summarizes the activities relating to the warrant:

	Number of shares underlying warrant			Weighted-average exercise price per share		
	Year Ended June 30,			Year Ended June 30,		
	2007	2006	2005	2007	2006	2005
Shares underlying warrant at beginning of the year	180,718	225,128	225,128	\$0.01	\$ 0.01	\$ 0.01
Exercised	(83,543)	(44,410)	—	0.01	0.01	—
Shares underlying warrant at end of the year	<u>97,175</u>	<u>180,718</u>	<u>225,128</u>	0.01	0.01	0.01
Exercisable shares underlying warrant at end of the year	<u>—</u>	<u>21,462</u>	<u>1,626</u>	\$0.01	\$ 0.01	\$ 0.01

The following summarizes information for the warrant outstanding at June 30, 2007:

Number of shares underlying warrant	Exercise price	Weighted average exercise price	Weighted average remaining contractual life
97,175	\$0.01	\$0.01	3.51

15. Shareholders’ equity

Share capital

The total authorized number of ordinary shares is 35 million shares with a par value of \$0.01 per share. All issued shares are of the same class, ordinary shares.

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In the year ended June 30, 2005, there were no warrants or options exercised.

In the year ended June 30, 2006, warrant and option holders exercised 44,410 shares under the warrant and options to purchase 65,000 shares, resulting in 109,410 ordinary shares being issued for consideration of \$0.01 per share for the warrant and \$1 per share for the options. All issued shares are fully paid.

In the year ended June 30, 2007, warrant and option holders exercised 83,543 shares under the warrant and options to purchase 117,838 shares, resulting in 201,381 ordinary shares being issued for consideration of \$0.01 per share for the warrant and a weighted average exercise price of \$1.03 per share for the options. All issued shares are fully paid.

16. Related party transactions and balances

JDS Uniphase Corporation, a customer and shareholder of Fabrinet, held 6.4%, 6.6% and 6.7% of the Company's share capital (fully diluted) at June 30, 2007, 2006 and 2005, respectively. Until August 2007, a representative from JDS Uniphase Corporation served as a member of the board of directors of Fabrinet.

A director and shareholder of Finisar Corporation, a customer of Fabrinet, is a member of the board of directors of Fabrinet.

Asia Pacific Growth Fund III, L.P. held 57.9%, 59.2% and 59.9% of the Company's share capital (fully diluted) at June 30, 2007, 2006 and 2005, respectively. Currently, the Group has no commercial transactions with Asia Pacific Growth Fund III, L.P.

The following transactions were carried out with related parties:

	<u>Year Ended June 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues			
Sales of goods:			
JDS Uniphase Corporation	\$118,829	\$101,335	\$69,424
Finisar Corporation	72,861	68,937	50,590
	<u>\$191,690</u>	<u>\$170,272</u>	<u>\$120,014</u>
Cost of revenues			
Purchases of goods:			
JDS Uniphase Corporation	\$39,231	\$40,107	\$26,899
Finisar Corporation	39,459	42,123	34,168
	<u>\$78,690</u>	<u>\$82,230</u>	<u>\$61,067</u>

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	As of June 30,	
	2007	2006
Trade accounts receivable		
JDS Uniphase Corporation	\$ 15,809	\$ 36,606
Finisar Corporation	10,399	11,633
	<u>\$26,208</u>	<u>\$48,239</u>
Trade accounts payable		
JDS Uniphase Corporation	\$5,518	\$14,081
Finisar Corporation	3,305	5,029
	<u>\$8,823</u>	<u>\$19,110</u>
Other payables		
JDS Uniphase Corporation—current portion	\$2,840	\$15,857
JDS Uniphase Corporation—non-current portion	1,755	3,995
	<u>\$4,595</u>	<u>\$19,852</u>

Other payables represent the remaining balances under the May 2005 Agreement (Note 4) and the February 2006 Agreement (Note 5).

17. Employee profit sharing and executive bonus plans

The Group allocates a certain percentage of adjusted pretax profits to its Employee Profit Sharing Plan on a quarterly basis that is currently distributed to employees employed for the full quarter, excluding officers. The Group also allocates a certain percentage of adjusted quarterly pretax profits to its Executive Bonus Plan, which is available solely to the Group's officers. Distributions to corporate officers under this plan are subject to the discretion of Fabrinet's board of directors. Charges to the income statement for distributions to employees and corporate officers under these plans were \$5,214, \$3,094, and \$551 during the years ended June 30, 2007, 2006 and 2005, respectively. Payments under the plans are made in the quarter following the quarter in which the bonus is earned.

18. Commitments and contingencies

Bank guarantees

At June 30, 2007 and 2006, there were outstanding bank guarantees given by banks on behalf of Fabrinet Thailand for electricity usage and other normal business amounting to \$456 and \$307, respectively.

Operating lease commitments

The Group leases a portion of its capital equipment, and certain land and buildings for its facilities in Thailand, China and New Jersey, under operating lease arrangements that expire in various years through 2014. Rental expense under these operating leases amounted to \$1,490, \$1,453 and \$726 for the years ended June 30, 2007, 2006 and 2005, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The table below reflects the future minimum lease payments due under non-cancelable leases at June 30, 2007.

2008	\$1,564
2009	1,279
2010	1,217
2011	982
2012	982
Thereafter	1,801
Total minimum operating lease payments	<u>\$7,825</u>

Purchase obligations

Purchase obligations represent legally-binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements. Although open purchase orders are considered enforceable and legally binding, the terms generally give the Group the option to cancel, reschedule and/or adjust its requirements based on its business needs prior to the delivery of goods or performance of services. Obligations to purchase inventory and other commitments are generally expected to be fulfilled within one year.

At June 30, 2007 and 2006, there were outstanding commitments to a third party relating to the development of a new factory site of \$18,795 and \$32, respectively.

19. Business segments and geographic information

The Group evaluates its reportable segments in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," or SFAS 131 and the FASB's Emerging Issues Task Force Abstracts No. 04-10, "Determining Whether to Aggregate Segments That Do Not Meet the Quantitative Thresholds." Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Group's chief operating decision maker is Fabrinet's board of directors. As of June 30, 2007, the Group operated and internally managed a single operating segment. Accordingly, the Group does not accumulate discrete information with respect to separate product lines and does not have separate reportable segments.

The Group operates primarily in four geographic regions: North America, Asia, Europe and Australia. The following table presents total revenues by geographic regions:

	Year Ended June 30,		
	2007	2006	2005
North America	\$ 322,573	\$ 248,746	\$ 143,373
Asia	148,286	92,777	50,162
Europe	19,498	30,927	5,762
Australia	5,786	3,210	2,655
	<u>\$ 496,143</u>	<u>\$ 375,659</u>	<u>\$ 201,952</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Total revenues are attributed to a particular geographic area based on the location to which the customer's order is shipped. All the long-lived assets of continuing operations are based in the Asia region.

Significant customers

Total revenues, by percentage, from individual customers representing greater than 10% of total revenues in the respective periods were as follows:

	<u>Year Ended June 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Customer A	26%	28%	35%
Customer B	23	24	21
Customer C	15	18	25
Customer D	12	*	*
Customer E	*	*	12

* Less than 10% of revenues in the period.

Due to the nature of the Group's business and the relative size of certain contracts, it is not unusual for a significant customer in one year to be less significant in the next. The loss of any single significant customer could have a material adverse effect on the Group's results from operations.

20. Financial instruments

Objectives and significant terms and conditions

The principal financial risks faced by the Group are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group borrows at floating rates of interest to finance its operations. Sales and purchases are entered into in foreign currencies. In order to manage the risks arising from fluctuations in currency exchange rates, the Group makes use of derivative financial instruments. Trading for speculative purposes is prohibited.

The Group enters into short-term forward foreign currency contracts to help manage currency exposures associated with certain assets and liabilities, primarily short- and long-term borrowings. The forward exchange contracts have generally ranged from one to three months in original maturity, and no forward exchange contract has an original maturity greater than one year. All foreign currency exchange contracts are recognized on the balance sheet at fair value. As the Group does not apply hedge accounting to these instruments, the derivatives are recorded at fair value through earnings.

The gains and losses on the Group's forward contracts generally offset losses and gains on the assets, liabilities and transactions economically hedged, and accordingly, generally do not subject the Group to risk of significant accounting losses.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Thai baht and Chinese Renminbi.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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At June 30, 2007 and 2006 the Group had outstanding foreign currency assets and liabilities as follows:

	June 30, 2007		June 30, 2006	
	Currency	\$	Currency	\$
(in thousands)				
Assets				
Thai baht	143,386	4,150	99,882	2,612
Chinese Renminbi	58,845	7,727	52,756	6,596
		<u>14,097</u>		<u>10,744</u>
Liabilities				
Thai baht	440,008	12,735	292,060	7,638
Chinese Renminbi	10,334	1,356	10,499	1,313
		<u>14,091</u>		<u>8,951</u>

The Thai baht assets represent cash and cash equivalents, accounts receivable, deposits and other current assets. The Thai baht liabilities represent trade accounts payable, accrued expenses and other payables. Thai baht liabilities will be hedged using the Thai baht assets and forward foreign currency contracts in accordance with management's policy. At June 30, 2007, there were \$8,000 selling forward contracts outstanding to hedge the Thai baht net asset position and \$1,000 buying forward contracts outstanding to comply with the Thai authority requirement on non-Thai baht long-term loan disbursement. At June 30, 2006, there were no outstanding forward contracts.

The RMB assets represent cash and cash equivalents, accounts receivable and other current assets. The RMB liabilities represent trade accounts payable, accrued expenses and other payables. RMB liabilities will be hedged using the RMB assets. At June 30, 2007 and 2006, there were no outstanding forward contracts.

Interest rate risk

The Group's principal interest bearing asset is a short-term managed fund held with a high-quality financial institution. The Group's principal interest bearing liabilities are bank loans which bear interest at floating rates.

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21. Principal subsidiaries

The subsidiaries of the Group are:

<u>Name</u>	<u>Business</u>	<u>Country of Incorporation</u>	<u>Percent Interest</u>
Fabrinet Co., Ltd.	Manufacturing and assembly	Thailand	99.99
Fabrinet USA, Inc.	Marketing and administration	United States of America (California)	100
FBN New Jersey Manufacturing, Inc.	Manufacturing and assembly	United States of America (Delaware)	100
Fabrinet China Holdings	Holding company	Mauritius Island	100
CASIX, Inc. (a wholly-owned subsidiary of Fabrinet China Holdings)	Manufacturing and assembly	People Republic of China	100
E2O Communications Pte Ltd.	Manufacturing and assembly (pending liquidation)	Singapore	100
PT E2O Communications Indonesia (a wholly-owned subsidiary of E2O Communications Pte Ltd.)	Manufacturing and assembly (pending liquidation)	Indonesia	100
FBN Canada Manufacturing, Inc.	Manufacturing and assembly	Canada	100

All subsidiaries are unlisted.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than the underwriting discount, payable by us in connection with the sale of the common stock being registered. All amounts are estimated except the Securities and Exchange Commission registration fee, the Financial Industry Regulatory Authority filing fees and the stock exchange listing fee.

	<u>Amount</u>
Securities and Exchange Commission registration fee	\$ 7,675
Financial Industry Regulatory Authority filing fee	25,500
New York Stock Exchange listing fee	*
Printing and engraving costs	*
Legal fees and expenses	*
Accountants' fees and expenses	*
Blue sky qualification fees and expenses	*
Transfer agent fees	*
Miscellaneous	*
Total	<u>\$ *</u>

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers.

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of directors and officers, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. The registrant's amended and restated memorandum and articles of association provide for indemnification of directors and officers for actions, costs, charges, losses, damages and expenses incurred in their capacities as such, except that such indemnification does not extend to any matter in respect of any fraud or dishonesty that may attach to any of them.

Pursuant to the form of Indemnification Agreement filed as Exhibit 10.8 to this registration statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims by reason of their being such a director or officer.

Additionally, reference is made to the Underwriting Agreement filed as Exhibit 1.1 to this registration statement, which provides for the indemnification by the underwriters of Fabrinet, our directors and officers who sign the registration statement and persons who control Fabrinet, under certain circumstances.

Item 15. Recent Sales of Unregistered Securities.

The following sets forth information regarding securities recently sold by the registrant within the last three years which were not registered under the Securities Act.

(i) Since September 30, 2004, the registrant has granted to directors, officers, employees and consultants, options to purchase an aggregate of 921,000 ordinary shares at exercise prices ranging from \$1.75 to \$4.25 per ordinary share and has issued 216,438 ordinary shares upon exercise of options.

(ii) Since September 30, 2004, the registrant issued to one accredited investor who is a director and officer 127,953 shares upon exercises of a warrant.

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The issuances of certain securities described in paragraph (i) above were deemed to be exempt from registration under the Securities Act of 1933, as amended, pursuant to Rule 701 thereof on the basis that the transactions were pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701 and otherwise made in compliance with the requirements of Rule 701. The recipients of securities in each transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. All recipients had access, through their relationship with the registrant, to information about the registrant.

The securities described in paragraph (ii) above were issued upon exercises of the warrant in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof. Among other factors, we based our reliance on the referenced exemption upon the representations made by holder of the warrant to us in the warrant, the holder's status as both an accredited investor and a sophisticated investor, and the fact that the warrant and underlying common stock were offered only to the single holder and not to any other investors.

None of the transactions described above was an underwritten public offering.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1*	Amended and Restated Memorandum and Articles of Association.
4.1*	Specimen Ordinary Share Certificate.
5.1*	Opinion of Walkers, special counsel to the registrant, regarding the validity of the registrant's ordinary shares being registered.
10.1.1+	Fabrinet Amended and Restated 1999 Share Option Plan.
10.1.2+	Form of Share Option Agreement under the Fabrinet Amended and Restated 1999 Share Option Plan.
10.2	Common Share Warrant issued in favor of David T. Mitchell.
10.3.1+	Offer Letter, dated April 29, 2005, by and between Dr. Harpal Gill and Fabrinet USA, Inc.
10.3.2+	Amendment to Harpal Gill Offer Letter, dated February 14, 2007, by and between Dr. Harpal Gill and Fabrinet USA, Inc.
10.4+	Offer Letter, dated April 15, 2000, by and between Mark J. Schwartz and the registrant.
10.5+	Employment Agreement, dated July 1, 2007, by and between Dr. Harpal Gill and Fabrinet Co., Ltd.
10.6.1+	Employment Agreement, dated January 8, 2001, by and between Nat Mani and Fabrinet USA, Inc.
10.6.2+	Amendment to Employment Agreement, dated October 1, 2007, by and between Nat Mani and Fabrinet USA, Inc.
10.7+	Employment Agreement, dated October 1, 1999, by and between Dr. Teera Acharyapaopan and Fabrinet Co., Ltd.
10.8*+	Form of Indemnification Agreement.
10.9***	Volume Supply Agreement, dated May 6, 2004, by and between Avanex, Inc. and the registrant.
10.10	Manufacturing Agreement, dated May 29, 2005, by and between the registrant and FBN New Jersey Holdings Corp.
10.11	Manufacturing Agreement, dated January 2, 2000, by and between the registrant and Fabrinet Co., Ltd.

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<u>Exhibit Number</u>	<u>Description</u>
10.12	Administrative Services Agreement, dated January 2, 2000, by and between the registrant and Fabrinet USA, Inc.
10.13	Credit Facility Agreement, dated December 15, 2006, by and among Fabrinet Co., Ltd., the registrant, and ABN AMRO Bank N.V.
10.14	Loan Agreement, dated March 4, 2005, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand (in Thai with English translation).
10.15	Loan Agreement, dated September 25, 2006, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand (in Thai with English translation).
10.16.1	Memorandum regarding Informing, Waiving and Amending Loan Conditions and Covenants, dated September 24, 2007, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand (in Thai with English translation).
10.16.2	Consent Letter, dated October 12, 2007, by and between Export-Import Bank of Thailand and Fabrinet Co., Ltd. (in Thai with English translation).
10.17	Loan Agreement, dated March 4, 2004, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation).
10.18	Loan Agreement, dated June 6, 2005, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation).
10.19	Loan Agreement, dated April 4, 2007, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation).
10.20	Approval of Amendment and Waiver Letter, dated October 18, 2007, by and among the registrant, Fabrinet Co., Ltd. and TMB Bank Public Company Limited (in Thai with English translation).
10.21	Land and Buildings Lease Agreement, dated April 30, 2004, by and between Chokchai International Co., Ltd. and Fabrinet Co., Ltd. (in Thai with English translation).
10.22	Lease Agreement, dated January 1, 2007, by and between Donly Corporation and FBN NJ Holdings Corp. DBA VitroCom.
10.23	Land Sale Agreement, dated September 4, 2006, by and between Mr. Somchai Boonsri as the Seller and Fabrinet Co., Ltd. as the Buyer (in Thai with English translation).
10.24	Land Mortgage Agreement, dated April 9, 2004, as amended on June 7, 2005, by and between TMB Bank Public Company Limited and Fabrinet Co., Ltd. (in Thai with English translation).
10.25	Land Mortgage Agreement, dated April 5, 2007, by and between TMB Bank Public Company Limited and Fabrinet Co., Ltd. (in Thai with English translation).
10.26	Land Sale Agreement, dated April 9, 2004, by and between Thai Day Dot Com Co., Ltd. as the Seller and Fabrinet Co., Ltd. as the Buyer (in Thai with English translation).
10.27†	Contract Manufacturing Agreement, dated November 15, 2004, by and between the registrant and JDS Uniphase Corporation.
10.28†	Volume Supply Agreement, dated June 14, 2000, by and between the registrant and Finisar Corporation.
21.1	List of Subsidiaries.
23.1	Consent of PricewaterhouseCoopers ABAS Limited.
23.2*	Consent of Walkers (included in Exhibit 5.1).
24.1	Power of Attorney (included in signature pages in Part II of this Registration Statement).

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- * To be filed by amendment.
 - + Indicates management contract or compensatory plan.
 - *** Incorporated by reference to Exhibit 10.12 to Avanex's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005 as filed with the Securities and Exchange Commission on February 14, 2006.
 - † Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from the Registration Statement and submitted separately to the Securities and Exchange Commission.

(b) Financial statement schedules

All schedules are omitted because they are not required, are not applicable or the information is included in the consolidated financial statements or notes thereto.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(b) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(c) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

INDEX TO EXHIBITS

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10.1.2+	Form of Share Option Agreement under the Fabrinet Amended and Restated 1999 Share Option Plan.
10.2	Common Share Warrant issued in favor of David T. Mitchell.
10.3.1+	Offer Letter, dated April 29, 2005, by and between Dr. Harpal Gill and Fabrinet USA, Inc.
10.3.2+	Amendment to Harpal Gill Offer Letter, dated February 14, 2007, by and between Dr. Harpal Gill and Fabrinet USA, Inc.
10.4+	Offer Letter, dated April 15, 2000, by and between Mark J. Schwartz and the registrant.
10.5+	Employment Agreement, dated July 1, 2007, by and between Dr. Harpal Gill and Fabrinet Co., Ltd.
10.6.1+	Employment Agreement, dated January 8, 2001, by and between Nat Mani and Fabrinet USA, Inc.
10.6.2+	Amendment to Employment Agreement, dated October 1, 2007, by and between Nat Mani and Fabrinet USA, Inc.
10.7+	Employment Agreement, dated October 1, 1999, by and between Dr. Teera Achariyapaopan and Fabrinet Co., Ltd.
10.8*+	Form of Indemnification Agreement.
10.9***	Volume Supply Agreement, dated May 6, 2004, by and between Avanex, Inc. and the registrant.
10.10	Manufacturing Agreement, dated May 29, 2005, by and between the registrant and FBN New Jersey Holdings Corp.
10.11	Manufacturing Agreement, dated January 2, 2000, by and between the registrant and Fabrinet Co., Ltd.
10.12	Administrative Services Agreement, dated January 2, 2000, by and between the registrant and Fabrinet USA, Inc.
10.13	Credit Facility Agreement, dated December 15, 2006, by and among Fabrinet Co., Ltd., the registrant, and ABN AMRO Bank N.V.
10.14	Loan Agreement, dated March 4, 2005, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand (in Thai with English translation).
10.15	Loan Agreement, dated September 25, 2006, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand as (in Thai with English translation).
10.16.1	Memorandum regarding Informing, Waiving and Amending Loan Conditions and Covenants, dated September 24, 2007, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand (in Thai with English translation).
10.16.2	Consent Letter, dated October 12, 2007, by and between Export-Import Bank of Thailand and Fabrinet Co., Ltd. (in Thai with English translation).
10.17	Loan Agreement, dated March 4, 2004, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation).

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<u>Exhibit Number</u>	<u>Description</u>
10.18	Loan Agreement, dated June 6, 2005, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation).
10.19	Loan Agreement, dated April 4, 2007, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation).
10.20	Approval of Amendment and Waiver Letter, dated October 18, 2007, by and among the registrant, Fabrinet Co., Ltd. and TMB Bank Public Company Limited (in Thai with English translation).
10.21	Land and Buildings Lease Agreement, dated April 30, 2004, by and between Chokchai International Co., Ltd. and Fabrinet Co., Ltd. (in Thai with English translation).
10.22	Lease Agreement, dated January 1, 2007, by and between Donly Corporation and FBN NJ Holdings Corp. DBA VitroCom.
10.23	Land Sale Agreement, dated September 4, 2006, by and between Mr. Somchai Boonsri as the Seller and Fabrinet Co., Ltd. as the Buyer (in Thai with English translation).
10.24	Land Mortgage Agreement, dated April 9, 2004, as amended on June 7, 2005, by and between TMB Bank Public Company Limited and Fabrinet Co., Ltd. (in Thai with English translation).
10.25	Land Mortgage Agreement, dated April 5, 2007, by and between TMB Bank Public Company Limited and Fabrinet Co., Ltd. (in Thai with English translation).
10.26	Land Sale Agreement, dated April 9, 2004, by and between Thai Day Dot Com Co., Ltd. as the Seller and Fabrinet Co., Ltd. as the Buyer (in Thai with English translation).
10.27†	Contract Manufacturing Agreement, dated November 15, 2004, by and between the registrant and JDS Uniphase Corporation.
10.28†	Volume Supply Agreement, dated June 14, 2000, by and between the registrant and Finisar Corporation.
21.1	List of Subsidiaries.
23.1	Consent of PricewaterhouseCoopers ABAS Limited.
23.2*	Consent of Walkers (included in Exhibit 5.1).
24.1	Power of Attorney (included in signature pages in Part II of this Registration Statement).

* To be filed by amendment.

+ Indicates management contract or compensatory plan.

*** Incorporated by reference to Exhibit 10.12 to Avanex's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005 as filed with the Securities and Exchange Commission on February 14, 2006.

† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from the Registration Statement and submitted separately to the Securities and Exchange Commission.

FABRINET

AMENDED AND RESTATED 1999 SHARE OPTION PLAN

1. Purposes of the Plan. The purposes of this 1999 Share Option Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

Options granted under the Plan may be Incentive Share Options or Nonstatutory Share Options, as determined by the Administrator at the time of grant.

2. Definitions. As used herein, the following definitions shall apply:

- (a) "Administrator" means the Board or any of its Committees administering the Plan, in accordance with Section 4 of the Plan.
- (b) "Applicable Law" means the requirements relating to the administration of Share Option Plans under the laws of the Cayman Islands, United States state corporate laws, United States federal and state securities laws, the Code, any stock exchange or quotation system on which the Ordinary Shares are listed or quoted and the applicable laws of any foreign country or jurisdiction where Options are, or will be, granted under the Plan.
- (c) "Board" means the Board of Directors of the Company.
- (d) "Code" means the Internal Revenue Code of 1986 of the United States, as amended.
- (e) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.
- (f) "Company" means Fabrinet, an exempted company formed under the laws of the Cayman Islands.
- (g) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.
- (h) "Director" means a member of the Board.
- (i) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.
- (j) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. A Service Provider (defined below) shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. For purposes of Incentive Share Options, no such leave may exceed three months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed on the first day following such three-month period, any Incentive Share Option held by the Optionee shall cease to be treated as an Incentive Share Option and shall be treated for tax purposes as a Nonstatutory Share Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

- (k) “Exchange Act” means the Securities Exchange Act of 1934 of the United States, as amended.
- (l) “Fair Market Value” means, as of any date, the value of Ordinary Shares determined as follows:
- i If the Ordinary Shares are listed on any established share exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Global Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;
 - ii If the Ordinary Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Ordinary Shares shall be the mean between the high bid and low asked prices for the Ordinary Shares on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or
 - iii In the absence of an established market for the Ordinary Shares, the Fair Market value shall be determined in good faith by the Administrator.
- (m) “Incentive Share Option” means an Option intended to qualify as an incentive share option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (n) “Nonstatutory Share Option” means an Option not intended to qualify as an Incentive Share Option.
- (o) “Notice of Grant” means a written or electronic notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is part of the Option Agreement.
- (p) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (q) “Option” means a Share option granted pursuant to the Plan.
- (r) “Option Agreement” means an agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the term and conditions of the Plan.
- (s) “Optioned Shares” means the Ordinary Shares subject to an Option.
- (t) “Optionee” means the holder of an outstanding Option granted under the Plan.
- (u) “Ordinary Shares” means the Ordinary Shares of the Company.
- (v) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (w) “Plan” means this Fabrinet Amended and Restated 1999 Share Option Plan, as set forth herein and as it may be amended from time to time.

- (x) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
 - (y) “Retirement” means the Optionee has reached the age of 65 years and has ten (10) years of continuous service with the Company or one of its subsidiaries and the Optionee elects to terminate his/her relationship as a Service Provider with the Company.
 - (z) “Section 16(b)” means Section 16(b) of the Exchange Act.
 - (aa) “Service Provider” means an Employee, Director or Consultant.
 - (bb) “Share” means an Ordinary Share, as adjusted in accordance with Section 12 of the Plan.
 - (cc) “Subsidiary” means a “subsidiary corporation”, whether now or hereafter existing, as defined in Section 424(f) of the Code.
3. Shares Subject to the Plan. Subject to adjustment as provided in Section 12 of the Plan, the maximum aggregate number of Shares that may be issued pursuant to the Plan shall be Four Million One Hundred Forty-Two Thousand Eight Hundred Fifty-Seven (4,142,857)¹, plus (i) any Shares issued under the Plan that are forfeited back to the Company or canceled, and (ii) any Shares that are tendered, whether by physical delivery or by attestation, to the Company by a Service Provider as full or partial payment of the exercise price of any Option granted pursuant to the Plan, or in payment of any applicable withholding for federal, state, city, local or foreign income, payroll or other taxes incurred in connection with the exercise of any Option granted under the Plan; provided, however, that the total number of Shares with respect to which Incentive Share Options may be granted shall not exceed Three Million Five Hundred Thousand (3,500,000). The Shares may be authorized and unissued shares or issued shares which have been reacquired by the Company.
4. Administration of the Plan.
- (a) Procedure.
 - i Multiple Administrative Bodies. The Plan may be administered by different Committees with respect to different groups of Service Providers.
 - ii Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more “outside directors” within the meaning of Section 162(m) of the Code.
 - iii Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirement for exemption under Rule 16b-3.
 - iv Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.
 - (b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

¹ Reflects a share increase of One Million (1,000,000) Shares approved by the Board on December [___], 2006 and the Company’s shareholders on December [___], 2006.

- i to determine the Fair Market Value;
 - ii to select the Service Providers to whom Options may be granted;
 - iii to determine the number of Ordinary Shares to be covered by each Option granted hereunder;
 - iv to approve forms of agreement for use under the Plan;
 - v to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the Ordinary Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
 - vi to determine whether, to what extent and under what circumstances Ordinary Shares and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period);
 - vii to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;
 - viii to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;
 - ix to modify or amend each Option (subject to Section 14(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;
 - x to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to (or less than) the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;
 - xi to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator; and
 - xii to make all other determinations deemed necessary or advisable for administering the Plan.
- (c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Nonstatutory Share Options may be granted to Service Providers. Incentive Share Options may be granted only to Employees.

6. Limitations.
- (a) Each Option shall be designated in the Option Agreement as either an Incentive Share Option or a Nonstatutory Share Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Share Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such Options shall be treated as Nonstatutory Share Options. For purposes of this Section 6(a), the most recently granted options will be treated as Nonstatutory Stock Options first. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.
 - (b) Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's relationship as a Service Provider with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such relationship at any time, with or without cause.
 - (c) The following limitations shall apply to grants of Options:
 - i No Service Provider shall be granted, in any fiscal year of the Company, Options to purchase more than 300,000 Shares.
 - ii In connection with the commencement of his or his or her initial service, a Service Provider may be granted Options to purchase up to 1,000,000 Shares that shall not count against the limit set forth in subsection (i) above.
 - iii The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 12.
7. Term of Plan. Subject to Section 18 of the Plan, the Plan shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 14 of the Plan.
8. Term of Option. The term of each Option shall be stated in the Option Agreement. In the case of an Incentive Share Option, the term shall be seven (7) years from the date of grant or such shorter term as may be provided in the Option Agreement.
9. Option Exercise Price and Consideration.
- (a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be no less than 100% of the Fair Market Value per Share (or 110%, in the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners)) on the date of grant, as determined by the Administrator. Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a merger or other corporate transaction.
 - (b) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions that must be satisfied before the Option may be exercised.
 - (c) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Share Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

- i cash;
- ii check;
- iii promissory note;
- iv other Shares which (A) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;
- v consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan;
- vi a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;
- vii any combination of the foregoing methods of payment; or
- viii such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

- (a) Procedure for Exercise: Rights as a Shareholder. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. Unless the Administrator provides otherwise, vesting of Options granted hereunder shall be tolled during any unpaid leave of absence. An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee in the name of the Optionee and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available for sale under the Option by the number of Shares as to which the Option is exercised.

- (b) Termination of Relationship as a Service Provider. If an Optionee ceases to be a Service Provider, other than upon the Optionee's death, Disability or Retirement, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement the Option shall remain exercisable for three (3)

months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the unvested portion of the Option shall immediately terminate, and the Shares covered by such unvested portion of the Option shall revert to the Plan. If the Optionee does not exercise the vested portion of his or her Option within the time specified herein or in the Option Agreement, as applicable, such vested portion of the Option shall terminate, and the Shares covered by such portion shall revert to the Plan.

- (c) Disability of Optionee. If an Optionee ceases to be a Service Provider as a result of the Optionee's Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option, the unvested portion of the Option shall immediately terminate, and the Shares covered by such unvested portion of the Option shall revert to the Plan. If the Optionee does not exercise the vested portion of his or her Option within the time specified herein or in the Option Agreement, as applicable, such vested portion of the Option shall terminate, and the Shares covered by such portion shall revert to the Plan.
- (d) Death of Optionee. If an Optionee dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Option Agreement (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquires the right to exercise the Option by bequest or inheritance, but only to the extent that the Option is vested on the date of death. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twenty-four (24) months following the Optionee's termination. If, at the time of death, the Optionee is not vested as to his or her entire Option, the unvested portion of the Option shall immediately terminate, and the Shares covered by such unvested portion of the Option shall revert to the Plan. If the Optionee's estate (or other person who acquires the right to exercise the Option) does not exercise the vested portion of the Option within the time specified herein or in the Option Agreement, as applicable, such vested portion of the Option shall terminate, and the Shares covered by such portion shall revert to the Plan.
- (e) Retirement of Optionee. In the event of an Optionee's Retirement, the Optionee may exercise his or her Option at any time within three (3) years from the date of such Retirement, but only to the extent that the Optionee was entitled to exercise it at the date of such Retirement (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). If, on the date of Retirement, the Optionee is not vested as to his or her entire Option, the unvested portion of the Option shall immediately terminate, and the Shares covered by such unvested portion of the Option shall revert to the Plan. If the Optionee does not exercise the vested portion of his or her Option within the time specified by herein or in the Option Agreement, as applicable, such vested portion of the Option shall terminate, and the Shares covered by such portion shall revert to the Plan.

11. Transferability of Options.

- (a) Unless determined otherwise by the Administrator, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option transferable, such Option shall have such additional terms and conditions as the Administrator deems appropriate.
- (b) An Optionee may file a written designation of a beneficiary who is to receive any options that remain unexercised in the event of the Optionee's death. If a participant is married and the

designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

- (c) Such designation of beneficiary may be changed by the Optionee at any time by written notice, subject to the above spousal consent conditions. In the event of the death of the Optionee and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Optionee's death, the Company shall deliver such options to the executor or administrator of the estate of the Optionee, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such options to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

12. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

- (a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Ordinary Shares covered by each outstanding Option, as well as the price per share of Ordinary Shares covered by each such outstanding Option, and the number of Ordinary Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, shall be proportionately adjusted for any increase or decrease in the number of issued Ordinary Shares resulting from a share split, reverse share split, share dividend, combination or classification of the Ordinary Shares, or any other increase or decrease in the number of issued Ordinary Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Ordinary Shares subject to an Option.
- (b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option until ten (10) days prior to such transaction as to all of the Optioned Shares covered thereby, including Shares as to which the Option would not otherwise be exercisable. All outstanding Options, to the extent not exercised prior to such transaction, shall terminate upon such transaction.
- (c) Merger or Asset Sale. Subject to the provisions of paragraph (d) hereof, in the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Option, the Optionee shall fully vest in and have the right to exercise the Option as to all of the Optioned Shares, including Shares as to which it would not otherwise be vested or exercisable. If an Option becomes fully vested and exercisable pursuant to the preceding sentence, the Administrator shall notify the Optionee in writing or electronically that the Option shall be fully vested and exercisable for a period of fifteen (15) days from the date of such notice, and the Option shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger or sale of assets, the option confers the right to purchase or receive, for each Share of Optioned Shares subject to the Option immediately prior to the merger or sale of assets, the consideration (whether share, cash, or other securities or property) received in the merger or sale of assets by holders of Ordinary Shares for each Share held on the effective date of the

transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets is not solely common shares of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Shares subject to the Option, to be solely Ordinary Shares of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Ordinary Shares in the merger or sale of assets.

- (d) Change in Control. In the event of a “Change in Control” of the Company, as defined in paragraph (e) below, then the following acceleration and valuation provisions shall apply:
- i Except as otherwise determined by the Board, in its discretion, prior to the occurrence of a Change in Control, any Options outstanding on the date such Change in Control is determined to have occurred that are not yet exercisable and vested on such date shall become fully exercisable and vested;
 - ii Except as otherwise determined by the Board, in its discretion, prior to the occurrence of a Change in Control, all outstanding Options, to the extent they are exercisable and vested (including Options that shall become exercisable and vested pursuant to subparagraph (i) above), shall be terminated in exchange for the right to receive, with respect to each Share of Optioned Shares subject to such terminated Options, a cash payment equal to amount (if any) by which the Change in Control Price exceeds the exercise price of such terminated Options. This cash payment shall be paid to the Optionee or, in the event of death of an Optionee prior to payment, to the estate of the Optionee or to a person who acquired the right to exercise the Option by bequest or inheritance. For purposes of clarity, no payment will be made with respect to any such terminated Option if the exercise price of such Option equals or exceeds the Change in Control Price.
- (e) Definition of “Change in Control”. For purposes of this Section 12, a “Change in Control” means the happening of any of the following:
- i When any “person,” as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, a Subsidiary or a Company employee benefit plan, including any trustee of such plan acting as trustee) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of directors; or
 - ii The shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve an agreement for the sale or disposition by the Company of all or substantially all the Company’s assets; or
- (f) Change in Control Price. For purposes of this Section 12, “Change in Control Price” shall be, as determined by the Board, (i) the highest Fair Market Value of a Share within the 60-day period immediately preceding the date of determination of the Change in Control Price by the Board (the “60-Day Period”), or (ii) the highest price paid or offered per Share, as determined by the Board, in any bona fide transaction or bona fide offer related to the Change in Control

of the Company, at any time within the 60-Day Period, or (iii) such lower price as the Board, in its discretion, determines to be a reasonable estimate of the fair market value of a Share as of the date of the relevant Change in Control.

13. Date of Grant. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.
14. Amendment and Termination of the Plan.
 - (a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan. Subject to Section 14(c), the Administrator may at any time amend any Option Agreement.
 - (b) Shareholder Approval. The Company shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.
 - (c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan or any Option Agreement shall impair the rights of any Optionee with respect to any then-outstanding Option, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.
15. Conditions Upon Issuance of Shares.
 - (a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.
 - (b) Investment Representations. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.
16. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.
17. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.
18. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under Applicable Laws.
19. Tax Withholding. Upon any exercise or payment of any Option or upon the disposition of Shares acquired pursuant to the exercise of an Incentive Share Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Company (or a Parent or Subsidiary) shall have the right at its option to:

- (a) require the Optionee (or the Optionee's estate or beneficiary, as the case may be) to pay or provide for payment of at least the minimum amount of any taxes which the Company (or Parent or Subsidiary) may be required to withhold with respect to such Option event or payment;
- (b) deduct from any amount otherwise payable (in respect of an Option or otherwise) in cash to the Optionee (or the Optionee's estate or beneficiary, as the case may be) the minimum amount of any taxes which the Company (or Parent or Subsidiary) may be required to withhold with respect to such Option event or payment; or
- (c) reduce the number of Optioned Shares to be delivered by (or otherwise reacquire shares held by the Optionee at least 6 months) the appropriate number of Ordinary Shares, valued at their then Fair Market Value, to satisfy the minimum withholding obligation.

In any case where a tax is required to be withheld in connection with the delivery of Ordinary Shares under this Plan, the Administrator may in its sole discretion (subject to Section 15) grant (either at the time of grant of the Option or thereafter) to the Optionee the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, to have the Company reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their Fair Market Value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the minimum applicable withholding obligation on exercise or payment. In no event shall the shares withheld exceed the minimum whole number of shares required for tax withholding under applicable law.

FABRINET

AMENDED AND RESTATED 1999 SHARE OPTION PLAN

SHARE OPTION AGREEMENT

Unless otherwise defined herein the terms defined in the Plan, which is attached hereto, shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

Name:

Address:

You have been granted an option to purchase Ordinary Shares of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Number:

Date of Grant:

Vesting Commencement Date:

Exercise Price per Share:

Total Number of Shares Granted:

Total Exercise Price:

Type of Option: Incentive Share Option
 Nonstatutory Share Option

Term/Expiration Date:

Vesting Schedule:

Subject to accelerated vesting as set forth below, this Option may be exercised, in whole or in part, in accordance with the following schedule:

25% of the Shares subject to the Option shall vest twelve months after the Vesting Commencement Date, and 1/48 of the Shares subject to the Option shall vest each month thereafter, subject to the Optionee continuing to be a Service Provider on such dates.

Termination Period:

This Option may be exercised for three months after Optionee ceases to be a Service Provider. Upon the Disability of the Optionee, this Option may be exercised for twelve months after Optionee ceases to be a Service Provider. Upon the death of the Optionee, this Option may be exercised for twenty-four months after Optionee ceases to be a Service Provider. Upon the Retirement of the Optionee, this Option may be exercised for three years after the Optionee ceases to be a Service Provider. In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

A. Grant of Option; Special Rules for ISOs.

The Plan Administrator of the Company hereby grants to the Optionee named in the Notice of Grant attached as Part 1 of this Agreement (the "Optionee") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 14(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail. Capitalized terms are defined in the Plan if not defined herein. The Optionee agrees to be bound by the terms and conditions of the Option set forth herein and in the Plan.

If designated in the Notice of Grant as an Incentive Share Option ("ISO"), this Option is intended to qualify as an Incentive Share Option under Section 422 of the Code. However, if this Option is intended to be an ISO, this Option will be treated only to the extent that complies with the requirements of the Code applicable to ISOs, including (without limitation) that it does not exceed the \$100,000 rule of Code Section 422(d) and is exercised within the applicable exercise periods for ISOs using a payment method that is permissible for ISOs. To the extent that the Option does not satisfy these requirements, it shall be treated as a Nonstatutory Share Option ("NSO").

B. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be completed by the Optionee and delivered to the Secretary of the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price and upon satisfaction of the tax withholding provisions of Section 19 of the Plan.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with Applicable Laws. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercised Shares.

(c) Local Law; Foreign Exchange and Tax Compliance. Notwithstanding anything else contained herein to the contrary, due to certain foreign exchange regulations in the People's Republic of China ("PRC"), the Administrator may, at its discretion, limit the method of Option exercise to a cashless method for Optionees resident in the PRC not having permanent residence in a country other than the PRC ("PRC Participants"). Such discretion includes and is not limited to the required exchange of proceeds by the Administrator into Renminbi for transmittal to PRC Participants, deductions for fees associated with the exchange, and deductions for PRC taxes, as may be necessary, to comply with applicable PRC foreign exchange and tax regulations. PRC Participants acknowledge and consent that all relevant data concerning exercise events will be disclosed by the Employer to the relevant PRC local tax bureau to the extent required by PRC law.

C. Method of Payment.

Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

1. cash; or

2. check; or
3. consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan; or
4. surrender of other Shares which (i) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares; or
5. to the extent permitted by the Administrator, delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale proceeds required to pay the Exercise Price.

D. Non-Transferability of Option.

This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

E. Term of Option.

This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

F. Securities Law Compliance.

The Optionee acknowledges that the Option and the Ordinary Shares are not being registered under the Securities Act of 1933, as amended (the "Securities Act"), based, in part, in reliance upon an exemption from registration under Securities and Exchange Commission Rule 701 promulgated under the Securities Act, and a comparable exemption from qualification under applicable state securities laws, as each may be amended from time to time. The Optionee, by executing this Option Agreement, hereby makes the following presentations to the Company and acknowledges that the Company's reliance on federal and state securities law exemptions from registration and qualification is predicated, in substantial part, upon the accuracy of these representations:

- The Optionee is acquiring the Option and, if and when he/she exercises the Option, will acquire the Ordinary Shares solely for the Optionee's own account, for investment purposes only, and not with a view to or an intent to sell, or to offer for resale in connection with any unregistered distribution, all or any portion of the shares within the meaning of the Securities Act and/or any applicable state securities laws.
- The Optionee has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the Option and the restrictions imposed on any Ordinary Shares purchased upon exercise of the Option. The Optionee has been furnished with, and/or has access to, such information as he or she considers necessary or appropriate for deciding whether to exercise the Option and purchase Ordinary Shares. However, in evaluating the merits and risks of an investment in the Ordinary Shares, the Optionee has and will rely upon the advice of his/her own legal counsel, tax advisors, and/or investment advisors.
- The Optionee is aware that the Option may be of no practical value, that any value it may have depends on its vesting and exercisability as well as an increase in the Fair Market Value of the underlying Ordinary Shares to an amount in excess of the Exercise Price, and that any investment in ordinary shares of a closely held corporation such as the Company is non-marketable, non-transferable and could require capital to be invested for an indefinite period of time, possibly without return, and at substantial risk of loss.

- The Optionee understands that any Ordinary Shares acquired on exercise of the Option will be characterized as “restricted securities” under the federal securities laws, and that, under such laws and applicable regulations, such securities may be resold without registration under the Securities Act only in certain limited circumstances, including in accordance with the conditions of Rule 144 promulgated under the Securities Act, as presently in effect, with which the Optionee is familiar.
- The Optionee has read and understands the restrictions and limitations set forth in the Plan, this Option Agreement, and the Exercise Notice, which are imposed on the Option and any Ordinary Shares which may be acquired upon exercise of the Option.
- At no time was an oral representation made to the Optionee relating to the Option or the purchase of Ordinary Shares and the Optionee was not presented with or solicited by any promotional meeting or material relating to the Option or the Ordinary Shares.

G. Notice of Disqualifying Disposition of ISO Shares. If the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, the Optionee shall immediately notify the Company in writing of such disposition. The Optionee agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to the Optionee.

H. Entire Agreement: Governing Law.

The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may be amended in accordance with Section 14 of the Plan. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

I. NO GUARANTEE OF CONTINUED SERVICE.

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED AN OPTION OR PURCHASING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH OPTIONEE’S RIGHT OR THE COMPANY’S RIGHT TO TERMINATE OPTIONEE’S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

By your signature and the signature of the Company’s representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement. Optionee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Plan and Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE:

FABRINET

By: _____
David T. Mitchell,
Chief Executive officer

EXHIBIT A

FABRINET

AMENDED AND RESTATED 1999 SHARE OPTION PLAN

EXERCISE NOTICE

Fabrinet
C/O Fabrinet Co., Ltd.
294 Moo 8, Vibhavadi Rangsit Road
Lumlookka, Pathumthanee 12130
Thailand
Attention: Secretary

1. Exercise of Option. Effective as of today, _____ the undersigned (“Purchaser”) hereby elects to purchase _____ shares (the “Shares”) of the Ordinary Shares of Fabrinet (the “Company”) under and pursuant to the Amended and Restated 1999 Share Option Plan (the “Plan”) and the Share Option Agreement, dated _____ (the “Option Agreement”). The purchase price for the Shares shall be \$ _____, as required by the Option Agreement.

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price for the Shares.

3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions. Purchaser hereby affirms as made as of the date hereof the representations in Section II.F of the Option Agreement.

4. Rights as Shareholder. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Shares, notwithstanding the exercise of the Option. The Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 12 of the Plan.

5. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. Entire Agreement; Governing Law. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements, of the Company and Purchaser with respect to the subject matter hereof, and may be modified in accordance with Section 14 of the Plan. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

PURCHASER:

ACCEPTED BY: FABRINET

By: _____

Name: _____

Its: _____

DESIGNATION OF BENEFICIARY

In the event of my death, I hereby designate the following as my beneficiary to receive all of my options that are unexercised at the time.

NAME (Please print) _____
(First) (Middle) (Last)

Relationship of beneficiary

Address:

Dated: _____

Signature of Employee

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OF THE UNITED STATES. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT. THE TRANSFER OR SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED BY THE TERMS OF THIS WARRANT, INCLUDING RIGHT OF FIRST REFUSAL OF THE COMPANY, ALL AS MORE FULLY SET FORTH BELOW.

FABRINET
COMMON SHARE WARRANT

1,285,714 SHARES

Void December 31, 2010

Warrant No. 1

This certifies that, subject to the terms and conditions set forth herein, for value received, DAVID T. MITCHELL, TRUSTEE OF THE DAVID T. MITCHELL SEPARATE PROPERTY TRUST, or registered assigns (the "Holder") is entitled to purchase from Fabrinet, an exempted company formed under the laws of the Cayman Islands ("FAC" or the "Company") One Million Two Hundred Eighty-Five Thousand Seven Hundred Fourteen (1,285,714) ordinary shares of the Company (the "Shares") at a purchase price of \$.01 United States Dollars per Share ("Purchase Price"); subject, however, to the terms and conditions set forth herein.

1. EXERCISE OF WARRANT.

(a) Method of Exercise. Subject to the terms and conditions of this Warrant, the Holder may exercise this Warrant in whole or in part at any time prior to its termination as provided herein. To exercise the Warrant the Holder shall surrender this Warrant, duly executed by the Holder, to the Company at its principal office, accompanied by payment in the amount obtained by multiplying the Purchase Price by the number of Shares designated for exercise.

(b) Form of Payment. Payment may be in cash or by check payable to the order of the Company.

(c) Partial Exercise. On partial exercise, the Company shall promptly issue and deliver to the Holder of this Warrant a new Warrant or Warrants of like tenor in the name of the Holder providing for the right to purchase the number of Shares as to which this Warrant has not been exercised.

(d) No Fractional Shares. No fractional shares will be issued upon exercise of rights to purchase under this Warrant. If upon any exercise of this Warrant a fraction of a share results, the Company will pay the cash value of that fractional share, calculated on the basis of the Purchase Price.

2. REPRESENTATIONS AND WARRANTIES

In connection with the acquisition of the Warrant and the Shares, Holder represents to the Company the following:

(a) Investment. Holder is acquiring the Warrant and the Shares for investment for Holder's own account and not with the view to, or for resale in connection with, any distribution, assignment or resale to others within the meaning of the Securities Act of 1933 of the United States, as amended (the "Securities Act") or the California Corporate Securities Law of 1968, as amended ("California Securities Law"), and no other person has a direct or indirect beneficial interest, in whole or in part, in such Shares. Holder understands that the Shares to be issued to Holder under the Warrant have not been and will not be registered under the Securities Act or under the laws of any state of the United States in reliance upon specific exemptions therefrom which depend upon, among other things, the bona fide nature of the investment intent as expressed herein and in any other representations, warranties or information provided by Holder to the Company under this Agreement.

(b) Restrictions on Transfer. Holder acknowledges that the Shares to be issued to Holder under the Warrant must be held indefinitely unless subsequently registered and qualified under the Securities Act or unless an exemption from registration and qualification is otherwise available. Holder further understands that the Company is under no obligation to register or qualify the Shares. In addition, Holder understands that the certificate representing the Shares will be imprinted with a legend which prohibits the transfer of such Shares unless they are sold in a transaction in compliance with the Securities Act or are registered and qualified or such registration and qualification are not required in the opinion of counsel acceptable to the Company.

(c) Rule 144. Holder is aware of the provisions of Rule 144, promulgated under the Securities Act, which permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a nonpublic offering subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the Shares; the availability of certain current public information about the Company; the resale occurring not less than two years after a party has purchased and made full payment for, within the meaning of Rule 14, the security to be sold; the sale being through a "broker's transaction" or in transactions directly with a "market maker" (as such term is defined under the Securities Exchange Act of 1934, as amended); and the number of securities being sold during any three-month period not exceeding specified limitations stated therein; provided, however, if Holder is not an affiliate of the Company and the Shares were held more than three years after full payment and acquisition from the Company or an affiliate or if the Shares are sold to the Holder pursuant to Rule 701 promulgated under the Securities Act and the Company has been subject to

reporting requirements of the Securities Exchange Act of 1934, as amended, for ninety days, then certain of the foregoing conditions under Rule 144 will not be applicable.

(d) Exemption from Registration. Holder further acknowledges that, in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, although Rule 144 is not exclusive, the Staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and other than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales and that such persons and the brokers who participate in the transactions do so at their own risk and that therefore there is no assurance that any exemption from registration under the Securities Act will be available, or if available, will allow him to dispose of, or otherwise transfer, all or any portion of the Shares.

(e) Experience. Holder has such knowledge and experience in financial, tax and business matters to enable Holder to have the capacity to evaluate the merits and risks of acquiring the Warrant and the Shares, to make an informed investment decision and to protect Holder's interests in connection with such purchase.

(f) Holder's Liquidity. In reaching the decision to invest in the Warrant and the Shares, Holder has carefully evaluated Holder's financial resources and investment position and the risks associated with this investment, and Holder acknowledges that Holder is able to bear the economic risks of the investment. Holder (i) has adequate means of providing for Holder's current need and possible personal contingencies, (ii) has no need for liquidity in Holder's investment, (iii) is able to bear the economic risks of an investment in the Shares for an indefinite period and (iv) at the present time, can afford a complete loss of such investment. Holder's commitment to investments which are not readily marketable is not disproportionate to Holder's net worth and Holder's investment in the Shares will not cause Holder's overall commitment to become excessive.

(g) Offer and Sale. Holder acknowledges that Holder was not offered or sold the Warrant and the Shares, directly or indirectly, by means of any form of general solicitation or general advertisement, including the following: (i) any advertisement, articles notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio; or (ii) any seminar or meeting whose attendees had been invited by general solicitation or general advertising.

(h) Access to Data. Holder is aware of the Company's business affairs and financial condition, and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Warrant and the Shares. Holder has been given the opportunity by the Company to obtain any information and ask questions concerning the Company, the Warrant and the Shares, and Holder's investment that Holder felt necessary; and to the extent Holder availed himself of that opportunity, Holder has received satisfactory information and answers.

(i) Risks. Holder acknowledges and understands that (i) an investment in the Company constitutes a high risk, (ii) the Warrant and the Shares are highly speculative, and (iii) there can be no assurance as to what return, if any, there may be. Holder is aware that the Company may issue additional securities in the future which could result in the dilution of Holder's ownership interest in the Company.

(j) Valid Agreement. This Agreement when executed and delivered by Holder shall constitute a valid and legally binding obligation of Holder which is enforceable in accordance with its terms.

(k) Residence. The address set forth on the signature page of this Agreement is Holder's current address and accurately sets forth Holder's place of residence.

3. ISSUANCE OF SHARES; RESTRICTIONS ON DELIVERY OF STOCK CERTIFICATES.

(a) Issuance of Shares. As soon as possible after full or partial exercise of this Warrant and in any event within twenty (20) days after such exercise, the Company at its expense will cause to be issued in the name of Holder a certificate or certificates for the number of Shares to which the Holder shall be entitled upon such exercise.

(b) Restriction on Delivery. The Holder hereby authorizes and directs the secretary, transfer agent or any escrow agent appointed by the Company to hold, transfer and deliver possession of the certificate(s) representing Shares as follows, with respect to the Shares as to which the Warrant has been exercised:

(1) As to the first 605,468 of the Shares as to which the Warrant is exercised, the certificate(s) representing the Shares shall be delivered to Holder upon issuance.

(2) As to the remaining Shares as to which the Warrant is exercised, the certificate(s) representing the Shares shall be held and released to Holder as options are granted to and vested in optionees under the terms and conditions of the Fabrinet 1999 Employee Share Option Plan, at the rate of one (1) Share for every four (4) shares that vest in optionees under the terms of said Plan. The calculation, release, and delivery of Shares pursuant to this subparagraph shall be made quarterly in arrears for each calendar quarter after Shares are first held under the terms of this subparagraph.

4. ADJUSTMENT PROVISIONS.

(a) Subdivision or Combinations. If the Company shall at any time during the Warrant Term subdivide or combine its outstanding shares of ordinary stock, this Warrant shall, after that subdivision or combination, evidence the right to purchase the number of shares of Ordinary stock that would have been issuable as a result of that change with respect to the shares of Ordinary stock which were purchasable under this Warrant immediately before that subdivision or combination. If the Company shall at any time subdivide the outstanding shares of Ordinary stock, the Purchase Price then in effect immediately before

that subdivision shall be proportionately decreased, and, if the Company shall at any time combine the outstanding shares of Ordinary stock, the Purchase Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this section shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Reclassification, Exchange and Substitution. If at any time during the Warrant Term the Shares issuable upon exercise of this Warrant shall be changed into the same or a different number of shares of any other series or class or classes of stock, whether by reclassification, recapitalization or otherwise (other than a subdivision or combination of shares provided for above), the Holder shall, on its exercise, be entitled to purchase, in lieu of the Ordinary stock which the Holder would have become entitled to purchase but for such change, a number of shares of such other series or class or classes of stock equivalent to the number of shares of Ordinary stock that would have been subject to purchase by the Holder on exercise of this Warrant immediately before that change.

(c) Reorganizations, Mergers, Consolidations or Sale of Assets. Except as otherwise provided in Section 9, if at any time during the Warrant Term there shall be a capital reorganization of the Company's ordinary stock (other than a combination, subdivision, reclassification or exchange of shares provided for elsewhere in this Warrant) or merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's assets to another corporation or person, then, as a part of such reorganization, merger, consolidation or sale, lawful provision shall be made so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified in this Warrant and upon payment of the Purchase Price then in effect, the number of shares of stock or other securities or property of the Company, or of the successor corporation resulting from such reorganization, merger, consolidation or sale to which a holder of the deliverable upon exercise of this Warrant would have been entitled in such reorganization, merger, consolidation or sale if this Warrant had been exercised immediately before that reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment (as determined by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after such reorganization, merger, consolidation, or sale to the end that the provisions of this Warrant (including adjustment of the Purchase Price then in effect and number of shares purchasable upon exercise of this Warrant) shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant. The provisions hereof shall similarly apply to any such successive reorganizations, mergers, consolidations or sales which satisfy the conditions set forth above.

(d) Adjustment for Certain Stock Dividends. In the event the Company at any time from time to time during the Warrant Term makes, or fixes a record date for the determination of holders of ordinary stock entitled to receive a dividend or other distribution payable in additional shares of ordinary stock, then and in each such event the Purchase Price then in effect shall be decreased as of the time of such issuance or, in the event such a record date is fixed, as of the close of business on such record date, by multiplying the Purchase

Price then in effect by a fraction (1) the numerator of which is the total number of shares of ordinary stock issued and outstanding immediately prior to the time of such issuance on the close of business on such record date, and (2) the denominator of which shall be the total number of shares of ordinary stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of ordinary stock issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date therefor, the Purchase Price shall be recomputed according as of the close of business on such record date and thereafter the Purchase Price shall be adjusted pursuant to this Section as of the time of actual payment of such dividends or distributions.

(e) Treatment of Fractional Shares. If any adjustment made pursuant to subsections (a), (b), (c), or (d), above, creates a fractional Share, such Share shall be rounded to the nearest whole Share (with .5 Share being rounded to one full Share).

(f) Notice of Adjustments. The Company shall give notice of each adjustment or readjustment of the Purchase Price or the number of shares of Ordinary stock or other securities issuable upon exercise of this Warrant to the Holder.

(g) No Change Necessary. The form of this Warrant need not be changed because of any adjustment in the Purchase Price or in the Shares purchasable upon its exercise. A Warrant issued after any adjustment upon any partial exercise or in replacement may continue to express the same Purchase Price and the same number of Shares (appropriately reduced in the case of partial exercise) as are stated on the face of this Warrant as initially issued, and that Purchase Price and that number of Shares shall be considered to have been so changed at the close of business on the date of adjustment.

5. NOTICE OF CERTAIN EVENTS.

If at any time prior to the termination or full exercise of this Warrant:

(a) the Company shall pay any dividend payable in stock upon its ordinary stock or make any distribution, excluding a cash dividend, to the holders of its ordinary stock;

(b) there shall be any reclassification of the ordinary stock of the Company;

(c) there shall be a proposed merger or consolidation of the Company or sale of all or substantially all of the Company's assets; or

(d) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of such cases, the Company shall give to the Holder at least 10 days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution or for determining rights to vote in respect to any such reclassification, consolidation, merger, sale, dissolution, liquidation or winding up. Such notice shall also specify, in the case of any such dividend or distribution, the date on

which the holders of ordinary stock shall be entitled thereto, and such notice shall also specify the date on which the holders of ordinary stock shall be entitled to exchange their Ordinary stock for securities or other property deliverable upon such reclassification, dissolution, liquidation or winding up, merger, consolidation or sale of assets, as the case may be. In the case of a Sale, such notice shall indicate, among other things, that the right to exercise this Warrant expires upon the effective date of such Sale.

6. NON-TRANSFERABILITY OF WARRANT.

This Warrant may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner, in whole or in part.

7. TERMINATION.

Unless otherwise terminated hereunder, the right to exercise this Warrant shall expire upon the close of business on December 31, 2010.

8. MISCELLANEOUS PROVISIONS.

(a) Reservation of Stock. The Company covenants that it will at all times reserve and keep available, solely for issuance upon exercise of this Warrant, all shares of ordinary stock or other securities from time to time issuable upon exercise of this Warrant.

(b) Replacement. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of loss, theft, or destruction, on delivery of any indemnity agreement or bond reasonably satisfactory in form and amount to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense will execute and deliver, in lieu of this Warrant, a new Warrant of like tenor.

(c) No Rights as Shareholder. No holder of this Warrant, as such, shall be entitled to vote or receive dividends, or be considered a shareholder of the Company for any purpose, nor shall anything in this Warrant be construed to confer on any holder of this Warrant as such, any rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action, to receive notice of meeting of shareholders, to receive dividends or subscription rights or otherwise.

(d) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California.

(e) Notices. All notices from the Company to the Holder may be delivered in person or may be mailed by first-class, registered or certified mail, postage prepaid, to the address furnished to the Company in writing by the Holder who shall have furnished an address to the Company in writing and if mailed such notice shall be deemed to be given upon proper deposit of such notice in the mail.

April 29, 2005

Dr. Harpal Gill
Fremont, CA

RE: Offer of Employment

Dear Harpal:

We are pleased to extend an offer to you for the position of Senior Vice President of Operations, Fabrinet USA ("FUSA"), reporting to Tom Mitchell, Chairman, President and CEO of our parent company Fabrinet. We look forward to having you join us as a strategic employee. The terms of your employment, as we discussed, are as follows:

Your start date would be May 1, 2005 at an annual base salary of USD\$275,000 gross. Your annualized bonus opportunity will be based on mutually agreed upon targets. Your initial assignment will be as President and Managing Director of FBN New Jersey Holdings Corp. ("FBN"), our new organization in New Jersey that operates two factory sites in Ewing and Mountain Lakes, NJ. Your role will be to direct the seamless transition of products from Ewing, NJ to Thailand and the coordination of production activities with our JDS Uniphase. Your initial role with FBN will require travel to JDS Uniphase corporate headquarters in California and FBN manufacturing sites in New Jersey.

You will be granted 100,000 stock options in Fabrinet at a strike price of \$1.75 per share and pursuant to the terms of the company's stock options plan. These options will grant immediately upon signing and vest 25% after 12 months and 1/48 each month thereafter for the following three years. You will be entitled to participate in the FUSA benefits plan, which includes vacation, health care and life insurance.

Employment with FUSA is on an at-will basis. Thus, you are free to terminate your employment for any reason at any time with our without prior notice. Similarly, FUSA can terminate the employment relationship with or without cause or notice. However, in the event your employment is terminated without cause, you will receive a severance equal to 3 months of present base salary plus any earned bonus.

I trust this offer letter meets your expectations and would appreciate your signing and returning it to me.

Should you have any questions or concerns about any of the benefits, terms or other conditions of your employment, please do not hesitate to contact me.

I look forward to you joining us and becoming a leader of our team.

Sincerely,

Tom Mitchell
Chairman & CEO

Chairman, President & CEO
Fabrinet

- I accept this offer and will start with Fabrinet on (May 1st, 2005). No one at Fabrinet has made any promises, representation, inducements or offers to encourage me to join the Company other than the terms set forth above. I understand this offer is confidential and is not for distribution.

/s/ Harpal Gill, Ph.D.

Harpal Gill, Ph.D.

5/1/05

Date

February 14, 2007

Dr. Harpal Gill
650 Pickering Ave.
Fremont, CA
USA

Ref: Amendment to the offer letter dated April 29th, 2005

Dear Harpal,

Amendment dated 2/14/2007: The paragraph in your initial offer letter regarding severance will be changed as follows. The changes are underlined.

Employment with FUSA is on an at-will basis. Thus you are free to terminate your employment for any reason at any time with our without prior notice. Similarly, FUSA can terminate the employment relationship with or without cause or notice. However, in the event your employment is terminated without good cause, you will receive a severance equal to 12 months of present base salary, medical coverage for the same period plus any earned bonus.

All other terms and conditions of your employment will remain the same as documented in the initial offer letter dated 29th of April, 2005 and subsequent documented changes in salary, stock options and other allowances.

Sincerely,

Tom Mitchell
Chairman & CEO

April 15, 2000

Mark J. Schwartz
793 Dolores Street
San Francisco, CA 94110

Re: Offer of Employment

Dear Mark:

We are pleased to confirm, subject to approval by the company's Board of Directors, our offer of employment for the position of Chief Financial Officer, General Counsel, and Administrative Liaison. This letter confirms the terms and conditions of our employment offer.

Your annual base salary will be \$180,000 paid monthly at the rate of \$15,000. In addition, you will join the company's executive bonus compensation plan. Since the plan is a function of the company's profitability, such bonuses are not assured for any given quarter. You will be eligible for executive bonus compensation beginning with the fiscal quarter ending June 30, 2000. You will receive an initial grant of options to purchase 135,000 ordinary shares of Fabrinet (Cayman Islands) at a price to be set by the company's Board, but in no event shall the price be greater than \$1.00 per share. You will be eligible to participate in the company's benefit programs effective the date you start work, including health benefits for you and your spouse.

You shall maintain a home office, which shall be your principal place of work. Upon receipt of expense documentation, the company shall reimburse you for the following overhead expenses, up to a maximum of \$24,000 in any given fiscal year: month phone and fax line usage, including installation and maintenance expenses; dsl internet access; cell phone and monthly usage; car lease expense; legal certification expenses, including bar association dues and continuing legal education requirements; and other reasonable home office expenses.

You understand that the company may terminate your employment with or without cause. In the event that the company terminates your employment, you shall be entitled to receive a lump sum severance equal to six months base salary.

Your duties as CFO shall consist of those activities normally associated with the CFO position including management and supervision of global tax issues, risk analysis, efficiency analysis, and financial analysis, including financing and cash flow issues. In this capacity you shall report directly to the Board. In particular, the company must address two matters of immediate concern – the development and management of an international tax strategy and the development of a cost model for the near-term acquisition of a second manufacturing facility.

Your duties as General Counsel shall consist of those activities normally reserved for an In-house attorney, including employment issues, liability issues, equipment and real property leasing, environmental issues, and contract negotiation. In this capacity, you shall report directly to the CEO.

Of immediate concern are the following: amendment of the company's supply agreement with E-Tek Dynamics and adoption of the company's employee share option plans and other benefit plans.

Your duties as Administrative Liaison shall consist of being the company's customer service representative for E-Tek. In this capacity you shall report directly to the Managing Director. You will be the U.S. representative for the company charged with fielding all E-Tek queries and presenting them, if necessary to the appropriate Fabrinet employee for resolution. In addition, you will be responsible for supporting the company's transfer team.

This letter shall not constitute a binding agreement until its terms are approved by you and by the company's Board. The company may subsequently request that you execute a written employment agreement.

We look forward to your joining our team. Please call me if you have any additional questions.

Very truly yours,

David T. Mitchell
Chief Executive Officer

Acknowledged & accepted:

/s/ Mark Schwartz

4/16/00

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EMPLOYMENT AGREEMENT

This agreement is made and entered into on 1 July 2007 and between

FABRINET COMPANY LIMITED
of 294 Moo 8, Vibhavadi Rangsit Road,
Lumlookka, Patumthanee 12130

(hereafter called "The Employer")

and

Harpal Gill
of 43859 N. Moray St.
Fremont, CA 94539

(hereafter called "The Employee")

The parties agree that the Employer shall employ the Employee to render services to the Employer under the terms and conditions as follows:

- 1) **EFFECTIVE DATE OF EMPLOYMENT** : **1 July 2007**
- 2) **POSITION** : **Executive Vice President of Operations**
- 3) **CATEGORY OF EMPLOYMENT** : **Executive**
- 4) **ANNUAL SALARY** : **US\$ 200,000**
- 5) **Employer's right**
The Employee accepts that the Employer has the right to change job duty, transfer or promote the Employee's level/position as deem appropriate to the business and the Employee's health condition; including to restructure the organization, i.e., dissolving, increasing, or merging working units as well as to move the Employee to work in any buildings or places.
- 6) **Covenant not to compete**
During employment with the Employer, the Employee shall devote himself to perform work for the Employer and shall not perform any other business, work or being engaged in other business, without a written consent from the Employer. Violation of this provision is subject to termination without severance benefits or perquisites.

7) **Regulations**

The employee shall comply with the Employer's Code of Business Conduct and related guidelines, all regulations of the Employer including but not limited to work rules and any laws in relevant to the employment including any legally conditions prescribed by the Employer.

In the case where remuneration benefits and welfares provided by the Employer and specified in the work terms made by the Employer contain any terms and conditions that may conflict with those terms and conditions specified herein, the terms and conditions specified herein shall apply to the Parties.

8) **Termination**

The Employee may terminate this Agreement by giving a written notice to the Employer at least 15 (fifteen) days in advance. However, the Employer may terminate the Agreement by giving a written notice to the Employee at least one-pay period in advance.

9) **Termination for cause**

The Employer may immediately terminate this Agreement and shall not be required to provide severance pay benefits or welfares to the Employee if the Employee is proved that he

- performs dishonest towards his duties or intentionally commits a criminal offence against the Employer;
- intentionally causes the Employer to suffer losses.
- causes serious damage to the Employer due to negligence.
- violates work rules or regulations or lawful orders of the Employer after a written warning
- abandons work for three consecutive working days; or
- is imprisoned by final judgment.

10) **Employee's obligations after termination of employment**

Within 15 (fifteen) business days after termination of employment, the Employee shall hand over the work, all directorship and legal documents, Employer's equipment and assets in his possession to the Employer or its agent who is assigned to handle the clearance.

11) **Amendment and waiver**

This Agreement may be amended and the undertaking of any action required hereunder may be waived by the written consent of each part at the time such amendment or waiver is sought. No such waiver shall operate as a waiver of or estoppel with respect to, any other action. No failure to exercise and delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof, nor shall single or partial exercise of any right, remedy or power hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy or power provided herein or by law or at equity. The waiver of the time for

performance of any act or condition hereunder does not constitute a waiver of the act or condition itself.

12) Confidentiality

The Employee shall maintain in confidence all confidential information and trade secret, whether of a commercial or technical nature. The Employee shall not disclose any such confidential information and trade secret to a third party or make any unauthorized use thereof.

The Confidential Information includes not only the information about Fabrinet but also Fabrinet Customers. Therefore, the Employee shall be committed to treat know-how of both Fabrinet and Fabrinet customers as intellectual property, which cannot be transferred to any person or entity other than Fabrinet and Fabrinet customers.

The Employee agrees that you shall not make use of the Confidential Information for your own benefit or for the benefit of any person or entity other than Fabrinet and Fabrinet customers.

In regard of the know-how of Fabrinet customers, the Employee, when received the transfer of knowledge or skills form Fabrinet customers, shall treat this transfer as Confidentiality Information and must transfer such knowledge and skill within the agreement made between Fabrinet and Fabrinet Customers to produce mutual productive benefits between Fabrinet and its Customers. Thus, the Employee agrees to transfer all the know-how learned from Fabrinet Customers to the benefits of Fabrinet customers and Fabrinet only.

Employee's breach of Confidential Information will result in the legal actions made by Fabrinet and its Customers, and such Employees must be dismissed from the employment immediately.

13) Invalidity or unenforceability or severability

Whenever possible each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under the applicable laws. However, if any provision of this Agreement shall be held to be invalid or prohibited under applicable laws, such provision shall be ineffective only to the extent of such invalidity or prohibition without invalidating the remainder of such provision or the remaining provisions of this Agreement.

14) Entire agreement

This Agreement shall constitute the entire agreement between both Parties hereto and shall supersede any communications, understandings, negotiations, agreements or premises in respect hereto which have been made either in writing or orally prior to the date hereof and are also contradictory to the provisions hereof.

15) **Notices**

In case where any notice or other communications are required or permitted to be given hereunder, such notice or communications shall be in writing and may be delivered in person or sent by mail or transmitted by facsimile to the address of the addressee as specified above. All such notices or other communications shall be deemed to have been duly given and received upon receipt if delivered in person and upon receipt by the postal services or facsimile transmission.

16) **Headings**

The headings of this Agreement are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

17) **Applicable Law**

This Agreement shall be interpreted and governed by the laws of the Kingdom of Thailand and Thai Labor Law.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date set forth in the preamble of this Agreement.

Employer:

Employee:

Signed by

Signed by

David T. Mitchell

Harpal Gill

Date

1 July 2007

Date

1 July 2007

EMPLOYMENT AGREEMENT

This Agreement is made on the January 8, 2001

between

Fabrinet (USA) a company incorporated in California, USA, whose principal office is at 4104 24th Street #345, San Francisco, CA 94114-3615 (“the Company”)

and

Mr. Nat Mani (“the Executive”)

IT IS HEREBY AGREED as follows:

1. As from January 8, 2001 the Executive shall be employed by the Company under the terms of this Agreement.
2. The Executive shall hold office and serve the Company as Vice President of Business Development In such capacity the Executive shall perform the duties and exercise the powers consistent with such office which may from time to time be assigned to or vested in him by the Board of Directors of the Company (“the Board”) and the Executive shall from time to time give to the Board all such information regarding such matters as it shall require and shall implement and apply the policy of the Company as set forth by the Board from time to time.
3. Subject to Clause 4 below the Executive shall unless prevented by ill health devote such necessary time and attention to the services of the Company as is reasonable and shall promote the interests of the Company and use his best endeavors to promote and expand the businesses of the Company.
4. (a) The Company shall pay to the Executive during the continuance of his employment hereunder an annual base salary at the rate of US\$ 180,000.
(b) The Company shall, at its discretion, pay to the Executive a bonus based upon the results achieved by the Executive by reference to such targets and other criteria as may be determined by the Company.
5. The Executive shall be entitled to paid vacation at number of working days in each year as specified in the Company’s work rules
6. (a) The Company shall pay to the Executive the amount of all hotel, traveling and other expenses reasonably and property incurred by him in the discharge of his duties hereunder upon receipt of proper expense accounts prepared in accordance with Company policy.

7. (a) The Executive shall not without the consent in writing of the Board either during the continuance of his employment hereunder except so far as necessary in the performance of his duties, or thereafter divulge to any person whomever or directly or indirectly use or exploit otherwise than for the benefit of the Company any secret or confidential information (including matters of a technical nature, such as research projects, and matters of a business nature, such as information relating to costs, profits, markets, list of customers and any other information of a similar nature to the extent not available to the public) which has or may come to his knowledge during the course of his employment hereunder.
- (b) On the termination of his employment hereunder, the Executive shall promptly deliver to the Company all original and copy documents or correspondence and all manuals, letters, notes, notebooks, reports and other material of a secret or confidential nature relating to the matters referred to in this Clause and which are in his possession or under his control.
8. (a) The employment of the Executive will continue until terminated by either party giving the other 1 month's notice in writing.
- (b) If the Executive willfully neglects to carry out his duties or commits any willful breach of the terms of this Agreement, the Company may with or without prior written notice to the Executive forthwith terminate his employment hereunder.
9. Any notice to be given hereunder by either party to the other may be served by sending the same by recorded delivery post addressed to the other party, in the case of the Company at its principal office and in the case of the Executive at his last known residential address. Any notice so sent shall be deemed to be served on the date of posting and in proving such service it shall be sufficient to show that the letter containing the same was properly addressed and posted by recorded delivery post.
10. This Contract shall be governed by and construed under the laws of the State of California, U.S.A.

Signed by /s/ David T. Mitchell
The Company (David T. Mitchell, Director)

Signed by /s/ Nat Mani
The Executive (Nat Mani)



Fabrinet (USA)
4104 – 24th Street, Suite 345
San Francisco, CA 94114
Office: 925-934-2048
Fax: 815-333-3648

October 1st, 2007

Nat Mani
3860 Suncrest Ave,
San Jose, CA 95132

Ref: Amendment to the employment agreement dated January 8th, 2001

Dear Nat,

The following paragraph is to be included as part of the employment agreement.

8. (c) In the event the employment is terminated without good cause, the Executive will receive a severance equal to 6 months of present base salary, medical coverage for the same period plus any earned bonus.

Sincerely,

Tom Mitchell
Chairman & CEO

Private and confidential**EMPLOYMENT AGREEMENT**

This agreement is made and entered into on this day the **October 1, 1999** day and between:-

- a) **FABRINET COMPANY LIMITED**
of 294 Moo 8, Vibhavadi Rangsit Road,
Lumlookka, Patumthanee 12130,
(hereinafter called "The employer") and
- b) **Dr. Teera Achariyapaopan**
20/12 Moo 17, Kookot,
Lumlookka, Patumthanee 12130,
(hereinafter called "The employee")

The parties agree that the employer shall employ the employee to render services to the employer under the terms and conditions as follows:-

- 1) **EFFECTIVE DATE OF EMPLOYMENT** : **January 1, 2000**
 - 2) **POSITION :** : **Senior Vice President and Managing Director**
 - 3) **CATEGORY OF EMPLOYMENT** : **EXEMPT (E13)**
 - 4) **PAY AND ALLOWANCES** :
- 4.1 Remuneration shall be paid to the employee:-
 - 4.1.1 US\$ 250,000 per annum.
 - 4.1.2 Pay increases are subject to individual performance and shall be made only at the employer's discretion.
 - 4.2 Life and medical insurance shall be provided from the hiredate in accordance with the employer's policies.
 - 4.3 All payment due the employee shall be deposited directly into the employee's bank account in the employee's name with a payroll slip documenting such payment provided to the Employee.
- 5) **PERSONAL INCOME TAX:**
All amounts paid under paragraph 4 above shall be gross amounts. The employee shall be liable for his personal income tax which may be withheld by the Employer.

Private and confidential

6) **LEAVE.**

The employee is entitled to the number of days of paid annual vacation in accordance with the Company's Work Rules & Regulation. The date of the employee's vacation should be consented to by the employer well in advance of the proposed vacation date.

7) **WORKING HOURS:**

The working hours shall be from Monday through Friday, 40 working hours per week, working times to be determined by the employer.

8) **TERMINATION:**

Notice of termination can be given by either party in writing not less than thirty (30) days before the actual termination date.

9) **EMPLOYMENT CONDITIONS AND DUTIES ASSIGNMENT**

The administration of all employment conditions and duty assignments is subject to compliance with the employer policies as amended from time to time. The employer reserves the right to alter or abolish the said conditions and to assign the employee to any position as the employer deems necessary. It is expected that at all times the employee shall conduct himself in a business like manner. The employee shall at all time during employment comply with the rules and regulations of the employer and lawful orders of the employer's representatives assigned to supervise the employee. The employee may be dismissed from employment for violation of any terms of employment or for committing any criminal or civil wrong during employment.

The Employer/s/ David T. Mitchell

Mr. David T. Mitchell, Director

Date _____ October 1, 1999

I accept and acknowledge my full understanding of the above terms and conditions.

The Employee /s/ Dr. Teera Achariyapaopan

Dr. Teera Achariyapaopan

Date _____ October 1, 1999

MANUFACTURING AGREEMENT

THIS AGREEMENT is made effective as of May 29, 2005 by and between:

FABRINET (CAYMAN ISLANDS), an exempted company existing and duly organised under the law of the Cayman Islands, (hereinafter referred to as “FC”) of the one part; and

FBN NEW JERSEY HOLDINGS CORP., a corporation formed under the laws of the State of Delaware having registered office at 200 Ludlow Drive, Ewing, NJ, (hereinafter referred to as “FBN”) of the other part.

WHEREAS:

FBN is engaged in the business of manufacturing communications products, and related components thereof, and has the capability to manufacture certain related products for FC (hereinafter referred to as the “Products”); and

FC is desirous of contracting with FBN to produce the Products under the terms and conditions set forth herein.

NOW, THEREFORE, the parties do hereby agree as follows:

1. DEFINITION

In this Agreement, the following terms shall have the following meaning unless otherwise provided:

- “**APA**” means the asset purchase agreement executed by and between FBN, FC, and JDS Uniphase Corporation, among others, dated May 27, 2005.
- “**Ewing Site**” means the premises of FBN where the factory is located at Ewing, New Jersey.
- “**JDSU Supply Agreement**” means the asset purchase agreement executed by and between FC and JDS Uniphase Corporation, dated November 12, 2004.
- “**Materials**” means the raw materials from which the Products are manufactured pursuant to this Agreement, including packaging materials.
- “**Products**” means the communications products and related component described in the List of Products, Annex 1, attached hereto and constituting and integral part hereof, provided that the list of the

Products prescribed therein may be adjust or modify from time to time as agreed upon by the parties.

- “Purchase Order”** means a written Purchase Order issued from time to time in accordance with the provision of Article 2 of this Agreement by FC to FBN specifying the number, type, specification and quantity of the Products required by FC to be manufactured by FBN hereunder, delivery date(s) for such Products and other necessary information in relation to such order as may be considered relevant by FC.
- “Representations and Warranties”** means the representations and warranties set out in Clause 7 of this Agreement.
- “Specification”** means the manufacturing details of the Products listed at Annex 1, attached hereto.
- “Territory”** means the United States of America.
- “TSA”** means the transition services agreement executed by and between FC and Emcore Corporation, dated May 29, 2005.
- “Vitrocom Site”** means the premises of FBN where the factory is located at Mountain Lakes, New Jersey.

2. SCOPE OF MANUFACTURING

The parties hereby agree that FBN shall produce the Products in the numbers, models, series, designs and Specification as prescribed in the Purchase Order(s) placed by FC with FBN from time to time during the course of this Agreement, subject to the provisions of this Agreement. FBN shall manufacture, produce, package and deliver the Products for FC in the quantities and to the standard as may be stipulated in Purchase Order by FC from time to time during the term of this Agreement.

3. PRODUCTION FEE AND PAYMENT

3.1 Production fee and production costs – Vitrocom Site

In consideration of the manufacturing services rendered by FBN’s Vitrocom Site to FC under this Agreement, FC shall pay to FBN an agreed upon fee equal to 8% of the cost of production incurred by FBN at the Vitrocom Site. FC shall also remit to FBN the cost of production, which shall include the cost of Materials procured by FBN, actual labor and overhead cost at the Vitrocom Site (except for any sales expenses, which both parties understand and agree shall be devoted exclusively to Vitrocom Site external sales), and other expenses incurred by FBN at the Vitrocom Site (including shipping). Quarterly adjustments to the production fee, if any, shall be based upon the unit price, volume of purchase,

cost reductions, changes to the Specification, and improvement of FBN's yield or process at the Vitrocom Site.

3.2 Production fees – Ewing Site

The parties acknowledge and agree that FBN intends to wind-down production at its Ewing Site on or about October 30, 2005, per the terms of the APA and the TSA. In consideration of the product pricing terms as detailed in the APA, the TSA, and the JDSU Supply Agreement, and of the manufacturing services rendered by FBN's Ewing site to FC through the wind down of Ewing Site production, FC shall pay to FBN an agreed upon fee equal to the product pricing FC customers remit to FC under the terms of the APA, TSA, and JDSU Supply Agreement.

3.3 Invoice

Each month, or per some other mutually agreed upon period, FBN shall issue an invoice to FC for the production fee and production costs (collectively "Production Fees"), per sections 3.1 and 3.2, for all Products manufactured and delivered under this Agreement during the previous period.

3.4 Term of payment

FC agrees to pay FBN the Production Fees for each and every lot of the Products -- together with the applicable taxes and any other amount payable hereunder, as mentioned in Sections 3.1 and 3.2, within sixty [60] days from the receiving date of the invoice from FBN.

Late payment shall be subjected to the interest at the rate of fifteen (15%) percent per annum of the unpaid amount until the principle of the Production Fees and the duly interest is paid to FBN in full.

3.5 Currency

All payments of any amount payable under this Agreement shall be made in U.S. Dollars.

3.6 Means of payment

FC shall transfer all amounts owed to FBN under the terms of this Agreement into an account designated by FBN.

3.7 Set off

Unless otherwise agreed upon in writing by both parties, neither the Production Fee nor other expenses payable under this Agreement shall be subject to set off or forfeiture.

4. MATERIALS

4.1 Materials supplied by FBN

FBN shall obtain and utilize Materials available in the Territory and other countries for the manufacture of Product as it deems necessary to achieve certain quality, cost, or volume levels mutually agreed upon between the parties, provided that such Materials shall be of good quality, fit and sufficient for the purpose of manufacturing of the Products, and shall conform to the standards and the specification of FC.

4.2 Material Delay

FBN shall not be responsible for any costs and expense incurred as a result of any delay or interruption in delivery of the Materials.

5. PURCHASE ORDER

5.1 Forecast

On a weekly basis, FC shall provide FBN with a forecast of its anticipated twenty-six (26) weeks requirement for each Product. FC shall endeavour to place Purchase Orders in accordance with such forecast, but shall not necessarily be limited to the terms of such forecast in its placing of Purchase Order.

5.2 Period of purchase order

When FC desires to order a quantity of the Products, FC shall notify FBN in writing by issuing a Purchase Order for its requirements and specifying therein the types, quantities, the delivery date ("Delivery Date"), destination points, method and carrier to be used. FC shall use its best endeavours to provide Purchase Orders to FBN at least four [4] weeks prior to the Delivery Date.

FBN shall not be bound by any terms or conditions contained in the Purchase Order that are inconsistent with this Agreement, or any of the Annexes hereof, except to the extent mutually agreed upon by the parties in writing.

5.3 Acceptance of Purchase Order

FBN shall accept and fulfil every Purchase Orders received from FC, provided that the quantity of the Products under such Purchase Order does not exceed the Forecast.

5.4 Delivery

FBN shall be responsible for delivering of Products on the delivery dates and at the destination as specified in the Purchase Order issued by FC.

6. EQUIPMENT

FC shall, at its own expense, provide FBN the manufacturing equipment listed in Annex 2 attached to this Agreement. All other machines and equipment shall be provided by FBN at its own cost.

7. REPRESENTATION AND WARRANTIES OF FC

7.1 Representation and warranty by FC

FC hereby represents, warrants and undertakes to and with FBN that it has full corporate power and all requisite lawful authority and governmental approval to enter into and perform under this Agreement according to its terms.

7.2 Representations and warranties by FBN

FBN hereby represents, warrants and undertakes to and with FC that:

- (i) to the best of its knowledge, it is capable of manufacturing the Products in accordance with the Specifications to be provided by FC, in the quantities, to the standards and within the time contemplated by this Agreement as of the capacity forecasted pursuant to section 5.1, herein; and
- (ii) it has in its possession of every manufacturing license, product registration and other government license, approval of every description and all the tools, personnel and equipment required to manufacture the Products itemised in Annex 1 pursuant to the terms of this Agreement; and
- (iii) it has full corporate power and all requisite lawful authority and governmental approvals to enter into and perform this Agreement according to its terms; and
- (iv) at all time of the continuance of this Agreement, it shall not transfer, convey its cause any encumbrances to the Equipment provided by FC and any of the Materials; and
- (v) FBN and its affiliates, shareholders, directors, officers, contractors and employees, will not, directly or indirectly, develop, manufacture, sell or market any optical communications devices to or for any entity other than FC for two years from the effective date of this Agreement, or, in the case of shareholders, directors, officers, contractors and employees, for one year after any of the aforementioned personnel separates from FBN, whichever is greater.
- (vi) FBN will promptly secure written and duly executed confidentiality and non-compete agreements from all of its affiliates, shareholders, directors, officers, contractors and employees that contain the non-competition terms of section 7.2(v).

For purposes of this section 7.2(v), the term “shareholder” shall not include FC.

8. DELIVERY AND ACCEPTANCE

8.1 Delivery of the Products

All the Products to be supplied hereunder shall be delivered by FBN on a C.I.F. (Cost, Insurance and Freight) basis at the port or any other place as FC may designate and shall notify FBN thereof in advance.

8.2 Delivery of Materials

All the Materials to be supplied to FBN under this Agreement shall be delivered to FBN as FBN may designate. FBN shall take all measures required to comply with the customs clearance and transportation of the Materials supplied by FC.

8.3 Risk of loss and damage

FC shall be responsible for and assumes all risk of losses or damages to the Materials and Products delivered to or from the Site or any destination, from any cause during the transportation of such Materials and Products.

9. DELAY OF DELIVERY

If FBN fails to complete the delivery of the Products by the Delivery Date stipulated in the Purchase Order due to its own negligence or fault, FC shall be entitled to cancel all or any delayed portion of the Products. Such cancellation shall not cause any prejudice to any other rights of FC under this Agreement or applicable laws.

10. INTELLECTUAL PROPERTIES

FC hereby grants to FBN a non-exclusive and non-transferable license to use the technical information, know how, techniques, processes, and work instructions related to the design and manufacture of the Products in the Territory under this Agreement.

Without any charge on FBN, FC shall provide reasonable training, at a place designated by FC, to help facilitate the manufacture of the Products by FBN.

Each party shall indemnify the other party against all claims, cost, or any expenses arising out of the infringement of the intellectual property rights attributable to the first party in relation to the manufacturing or the design of the Products, provided that promptly after such claim, the latter party must inform the first party and fully cooperate with such defense.

11. DUTIES AND COVENANTS OF FBN

At all times during the continuance of this Agreement, FBN shall:

11.1 Manufacturing

Carefully and faithfully exercise all reasonable skill, care, workmanlike manner to the highest professional standards, due diligence and best effort, in the performance of its duties in accordance with the Purchase Orders given to it under this Agreement. FBN further agrees to strictly adhere to the Specifications and also with such other instructions from FC as may be given from time to time including keeping and maintaining the Materials in accordance with recognized international standards and specifications.

11.2 Compliance

At all times in manufacturing, packaging and delivery of the Products, observe and conform to the laws, rules, regulations, ordinances, terms and conditions of licenses (if any), and instruction of FC (if any).

11.3 Confidentiality

During the period of this Agreement and after its termination, FBN shall keep confidential and not use, disclose or make available to any other person or entity any part or whole of the confidential information related to the affairs or business of FC, unless prior written consent to such use or disclosure is granted by FC. In addition, FT shall be solely responsible for all use, supervision, management and control of all FC information and shall ensure that any confidential information of FC is, at all times, protected from access, use or misuse or destruction by any unauthorised person or entity;

11.4 Maintenance of Equipment and Materials

At all time during the term of this Agreement, FBN shall maintain and keep the Equipment provided by FC in good repair and fit for use in the manufacturing of Product for FC, solely at FBN's expense. FBN shall promptly notify FC in writing of any material defects in any Equipment. The expense of repairing any such defects shall be borne by FC, except in the case where such damage or defect is attributable to misuse or recklessness of FBN or its employee, in which case the repair expense shall be borne by FBN.

11.5 Maintain Capacity

Maintain manufacturing capacity throughout the term of this Agreement in accordance with the twenty-six week forecasts provided by FC.

11.6 Indemnification

Indemnify, defense and hold harmless FC from any and all liabilities, damages, claims or actions arising out of or in connection with any of the following matters:

- (i) the performance by FBN of services to be provided hereunder;
- (ii) the failure of FBN, or its employees, agents, or assigns, to comply with applicable laws or regulations;
- (iii) any claims made against FC due to any cause attributable to and/or arising from willful or negligent error or omission in or of any act of FBN, its employees or representative; or
- (iv) any Product liabilities.

11.7 Quality control

Before the delivery of any of the Products, FBN shall test the Products per the instructions of FC to ensure the quality and compliance of the Products to the Specifications.

At all reasonable times, FBN shall permit FC or its authorised representatives to inspect the process of the production and materials used in the manufacture of Products.

11.8 Supply of sample

Supply FC, upon request, with random samples of the Products manufactured in compliance with the Purchase Order at FBN's expense.

11.9 Use of Materials and FC's Equipment

Use the Materials and FC's Equipment only for the production of Products for FC and only for production under this Agreement.

11.10 Manufacturing Records

At its own expense, make available to FC, upon the request of FC, all records related to the production of Products under this Agreement, including manufacturing and test data.

11.11 Liability

Be responsible for any loss and damages of the Products and Materials in the manufacturing, configuration and testing process.

12. CONFIRMATION OF ACCEPTANCE

Within seven (7) days from the date FC receives the Products, FC shall complete a defects analysis of the Products.

13. NON-COMPLIANCE OF PRODUCTS

If FC determines, in its sole discretion, that there is any intrinsic design or manufacturing defect in any Product causing inoperative, hazardous or unsatisfactory condition or performance, FBN shall promptly, at its own expense, remove the Product from the delivery site and refund to FC the Production fee for the defective units.

In the case where more than twenty (25%) percent of all units of the Products shipped within the period of delivery are defective or not in compliance with the Specifications, FC may reject such Products and FBN shall be liable for any cost and expense paid or incurred in connection with the delivery and return of such Product from FC to FBN.

14. FORCE MAJEURE

Neither party shall be deemed in breach of any provision of this Agreement or liable for any delay or failure in the performance of any obligation or the exercise of any right under this Agreement nor for any loss or damage (including direct or consequential loss or damage) therefrom, if such performance or exercise is prevented or hindered by any order or act of governmental or local authorities, the event of Act of God, flood, fire, accident, war, strike, riot, embargo, disaster, fire or Force Majeure, provided that the party of which the performance of duty under this Agreement is effected therefrom shall promptly give notice to the other party of such occurrence and endeavor to minimise the effects thereof.

15. OWNERSHIP

The ownership of the Materials supplied by FC, the Products, technical information and know how in manufacturing of the Products and the Equipment supplied by FC as listed in the Annex 2 shall at all times remain with FC.

16. TERM AND TERMINATION

16.1 Term

This Agreement shall become effective on the date first above written and continue in effect for a period of three (3) years unless earlier terminated according to Section 16.2.

The Term of this Agreement shall be automatically renewed per the terms of Section 16.3.

16.2 Events of termination

Notwithstanding the provision of Section 16.1, the following provisions shall apply upon the following events.

- (i) Should FC fails to pay the Production Fee to FBN within thirty days of such fee becoming due and owing, FBN may notify FC in writing of such failure and shall be entitled to terminate this Agreement if FC fails to pay the outstanding balance in full within fifteen days after such written notice.
- (ii) FC may immediately terminate this Agreement by sending written notice of its intent to terminate by registered mail upon the occurrence of any of the following events:
 - (a) FBN's failure to obtain or maintain any license, permit, registration or approval required in connection with FBN's performance.
 - (b) Any change in ownership or control of FBN or the sale of substantially all of the assets of FBN to any third party.
- (iii) Should either party be adjudicated bankrupt or insolvent, the other party may terminate this Agreement.
- (iv) If either party breaches a material term or condition of this Agreement and fails to rectify such default within thirty (30) days from the date such party receives the notice from the other party requesting such defaulting party to rectify the default, the other party may immediately terminate this Agreement by giving a written notice to the party in default.

16.3 Renewal

This Agreement will be automatically renewed for successively one-year period, unless FC notify FBN in writing within 90 days prior to the renewal date of its intention to terminate this Agreement or FBN notifies FC in writing within 180 days prior to the renewal date of its intention to terminate this Agreement.

16.4 Consequence of termination

Unless otherwise agreed by the parties, any confidential information of any party obtained by the other party as a result of the relationship developed by the parties and reduced to writing under this Agreement, shall be kept confidential to the parties and shall not be disclosed or used otherwise. The provisions of this Section 16.4 shall survive the termination of this Agreement.

17. ASSIGNMENT

This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their successors. This Agreement may not be assigned by FBN. Any attempt by FBN to assign or otherwise convey any of its rights or obligations under this Agreement, whether voluntary or by operation of law, shall be void and no force and effect without the prior written consent of FC.

18. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the State of California.

19. MISCELLANEOUS

19.1 Notice

Any notice or other communication to be given hereunder shall be delivered by hand, registered mail or sent by facsimile transmission to the addresses indicated as follows:

- (a) In the case of FC, to:

FABRINET (CAYMAN ISLANDS)

c/o Fabrinet (USA)

4104 24th Street, #345

San Francisco, CA 94114

USA

Attention: General Counsel

Facsimile No: (815) 333-3648

- (b) In the case of the FBN to:

FBN NEW JERSEY HOLDINGS CORP.

200 Ludlow Drive

Ewing, NJ

USA

Attention: Managing Director

harpalg@fabrinet.th.com

w/courtesy copy to jpredmore@fabrinet.com

Either party may change the address or facsimile number or the name of the person for whose attention notices are to be addressed by serving a notice to the other in accordance with this Section 19.1. All notices given in accordance with this Section shall be deemed to have been served as follows:

- (a) if delivered by hand, or registered mail at the time of receive; or
- (b) if communicated by facsimile at the time of transmission, or

- (c) if the day on which a notice would be deemed to have been served under this provision is not a business day, the relevant notice shall instead be deemed to have been served on the next following business day.

All notices or communications under or in connection with this Agreement shall be in the English language.

20.2 Severability

If any of the provision of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

20.3 Modification

This Agreement may be amended only by an instrument in writing signed by duly authorised representatives of each of the parties.

20.4 Relationship

Nothing in this Agreement shall be deemed to constitute a partnership between the parties nor constitute either party the agent of the other party for any purpose. Neither of the parties has authority to pledge, and neither party shall pledge, the credit of the other party for any fees, costs or expenses connected with this Agreement.

20.5 Expenses

Each of the parties shall pay its own costs, charges and expenses incurred in connection with the preparation and implementation of this Agreement and the transactions contemplated by it.

20.6 Waiver

Any waiver of right or remedy under this Agreement shall be effective only if it is in writing and signed by or on behalf of the party entitled to exercise such right or remedy. Any delay or failure of a party in exercising any right or remedy under this Agreement shall not constitute a waiver of the rights or remedies and no single or partial exercise of the right or remedy under this Agreement or otherwise shall prevent any exercise of any other right or remedy.

20.7 Counterpart

This Agreement is made in duplicate, each of which shall be an original and held by each party, but all counterparts shall together constitute one and the same instrument.

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LIST OF PRODUCTS

LIST OF EQUIPMENT

MANUFACTURING AGREEMENT

THIS AGREEMENT is made effective as of January 2, 2000 by and between:

FABRINET (CAYMAN ISLANDS), an exempted company existing and duly organised under the law of the Cayman Islands, (hereinafter referred to as “FC”) of the one part; and

FABRINET CO., LTD., a limited company existing and duly organised under the law of Thailand, having registered office at No. 294 Moo 8, Vibhavadi Rangsit Road, Kookot, Lumlookka, Pathumthani, (hereinafter referred to as “FT”) of the other part.

WHEREAS:

FT is engaged in the business of manufacturing communications products, and related components thereof, and has the capability to manufacture certain related products for FC (hereinafter referred to as the “Products”); and

FC is desirous of contracting with FT to produce the Products under the terms and conditions set forth herein.

NOW, THEREFORE, the parties do hereby agree as follows:

1. DEFINITION

In this Agreement, the following terms shall have the following meaning unless otherwise provided:

- “Products”** means the communications products and related component described in the List of Products, Annex 1, attached hereto and constituting and integral part hereof, provided that the list of the Products prescribed therein may be adjust or modify from time to time as agreed upon by the parties.
- “Purchase Order”** means a written Purchase Order issued from time to time in accordance with the provision of Article 2 of this Agreement by FC to FT specifying the number, type, specification and quantity of the Products required by FC to be manufactured by FT hereunder, delivery date(s) for such Products and other necessary information in relation to such order as may be considered relevant by FC.
- “Materials”** means the raw materials from which the Products are manufactured pursuant to this Agreement, including packaging materials.

“Site”	means the premises of FT where the factory is located at Pathumthani, Thailand.
“Specification”	means the manufacturing details of the Products listed at Annex 1, attached hereto.
“Territory”	means the Kingdom of Thailand.
“Representations and Warranties”	means the representations and warranties set out in Clause 7 of this Agreement.

2. SCOPE OF MANUFACTURING

The parties hereby agree that FT shall produce the Products in the numbers, models, series, designs and Specification as prescribed in the Purchase Order(s) placed by FC with FT from time to time during the course of this Agreement, subject to the provisions of this Agreement. FT shall manufacture, produce, package and deliver the Products for FC in the quantities and to the standard as may be stipulated in Purchase Order by FC from time to time during the term of this Agreement.

3. PRODUCTION FEE AND PAYMENT

3.1 Production fee and other expenses

In consideration of the manufacturing services rendered by FT under this Agreement, FC shall pay to FT an agreed upon fee (“Production Fee”). The Production Fee shall be negotiated quarterly, and shall be exclusive of the cost of local materials procured by FT, the actual overhead cost (including labor), and other expenses incurred by FT (including shipping), which expenses shall be billed to FC per the terms of this Agreement. Quarterly adjustments to the Production Fee, if any, shall be based upon the unit price, volume of purchase, cost reductions, changes to the Specification, and improvement of FT’s yield or process.

3.2 Invoice

Each week, FT shall issue an invoice to FC for the Production Fee and expenses, per section 3.1, for all Products manufactured and delivered under this Agreement during the previous week.

3.3 Term of payment

FC agrees to pay FT the Production Fee for each and every lot of the Products — together with the applicable taxes and any other amount payable hereunder as mentioned in Section 3.1 — within sixty [60] days from the receiving date of the invoice from FT.

Late payment shall be subjected to the interest at the rate of fifteen (15%) percent per annum of the unpaid amount until the principle of the Production Fees and the duly interest is paid to FT in full.

3.4 Currency

All payments of any amount payable under this Agreement shall be made in U.S. Dollars.

3.5 Means of payment

FC shall transfer all amounts owed to FT under the terms of this Agreement into an account designated by FT.

3.6 Set off

Unless otherwise agreed upon in writing by both parties, neither the Production Fee nor other expenses payable under this Agreement shall be subject to set off or forfeiture.

4. MATERIALS

4.1 Materials supplied by FC

FC shall supply the Materials adequate for the production of Product by FT as detailed in the Purchase Order(s) to FT. Upon the request of FC, FT shall assist FC as follows:

- (i) taking delivery of Materials and/or the Products;
- (ii) clearing customs;
- (iii) paying custom, applicable taxes, insurance premiums and other expenses including those incurred in the transportation of the Materials to the site.

FC agrees to reimburse FT for any amount paid by FT as set out above within sixty [60] days from receipt of invoice.

4.2 Materials supplied by FT

FT shall obtain and utilize local Materials available in the Territory for the manufacture of Product as it deems necessary to achieve certain quality, cost, or volume levels mutually agreed upon between the parties, provided that such Materials shall be of good quality, fit and sufficient for the purpose of manufacturing of the Products, and shall conform to the standards and the specification of FC.

FC shall reimburse FT for reasonable Materials costs incurred by FT to obtain the local Materials prescribed herein. FC shall reimburse FT for such costs within sixty [60] days from receipt of invoice.

4.3 Material Delay

FT shall not be responsible for any costs and expense incurred as a result of any delay or interruption in delivery of the Materials.

5. PURCHASE ORDER

5.1 Forecast

On a weekly basis, FC shall provide FT with a forecast of its anticipated twenty-six (26) weeks requirement for each Product. FC shall endeavour to place Purchase Orders in accordance with such forecast, but shall not necessarily be limited to the terms of such forecast in its placing of Purchase Order.

5.2 Period of purchase order

When FC desires to order a quantity of the Products, FC shall notify FT in writing by issuing a Purchase Order for its requirements and specifying therein the types, quantities, the delivery date ("Delivery Date"), destination points, method and carrier to be used. FC shall use its best endeavours to provide Purchase Orders to FT at least four [4] weeks prior to the Delivery Date.

FT shall not be bound by any terms or conditions contained in the Purchase Order that are inconsistent with this Agreement, or any of the Annexes hereof, except to the extent mutually agreed upon by the parties in writing.

5.3 Acceptance of Purchase Order

FT shall accept and fulfil every Purchase Orders received from FC, provided that the quantity of the Products under such Purchase Order does not exceed the Forecast.

5.4 Delivery

FT shall be responsible for delivering of Products on the delivery dates and at the destination as specified in the Purchase Order issued by FC.

6. EQUIPMENT

FC shall, at its own expense, provide FT the manufacturing equipment listed in Annex 2 attached to this Agreement. All other machines and equipment shall be provided by FT at its own cost.

7. REPRESENTATION AND WARRANTIES OF FC

7.1 Representation and warranty by FC

FC hereby represents, warrants and undertakes to and with FT that it has full corporate power and all requisite lawful authority and governmental approval to enter into and perform under this Agreement according to its terms.

7.2 Representations and warranties by FT

FT hereby represents, warrants and undertakes to and with FC that:

- (i) to the best of its knowledge, it is capable of manufacturing the Products in accordance with the Specifications to be provided by FC, in the quantities, to the standards and within the time contemplated by this Agreement as of the capacity forecasted pursuant to section 5.1, herein; and
- (ii) it has in its possession of every manufacturing license, product registration and other government license, approval of every description and all the tools, personnel and equipment required to manufacture the Products itemised in Annex 1 pursuant to the terms of this Agreement; and
- (iii) it has full corporate power and all requisite lawful authority and governmental approvals to enter into and perform this Agreement according to its terms; and
- (iv) at all time of the continuance of this Agreement, it shall not transfer, convey its cause any encumbrances to the Equipment provided by FC and any of the Materials; and
- (v) FT and its affiliates, shareholders, directors, officers, contractors and employees, will not, directly or indirectly, develop, manufacture, sell or market any optical communications devices to or for any entity other than FC for two years from the effective date of this Agreement, or, in the case of shareholders, directors, officers, contractors and employees, for one year after any of the aforementioned personnel separates from FT, whichever is greater.
- (vi) FT will promptly secure written and duly executed confidentiality and non-compete agreements from all of its affiliates, shareholders, directors, officers, contractors and employees that contain the non-competition terms of section 7.2(v).

For purposes of this section 7.2(v), the term "shareholder" shall not include FC.

8. DELIVERY AND ACCEPTANCE

8.1 Delivery of the Products

All the Products to be supplied hereunder shall be delivered by FT on a C.I.F. (Cost, Insurance and Freight) basis at the port or any other place as FC may designate and shall notify FT thereof in advance.

8.2 Delivery of Materials

All the Materials to be supplied to FT under this Agreement shall be delivered to FT as FT may designate. FT shall take all measures required to comply with the customs clearance and transportation of the Materials supplied by FC.

8.3 Risk of loss and damage

FC shall be responsible for and assumes all risk of losses or damages to the Materials and Products delivered to or from the Site or any destination, from any cause during the transportation of such Materials and Products.

9. DELAY OF DELIVERY

If FT fails to complete the delivery of the Products by the Delivery Date stipulated in the Purchase Order due to its own negligence or fault, FC shall be entitled to cancel all or any delayed portion of the Products. Such cancellation shall not cause any prejudice to any other rights of FC under this Agreement or applicable laws.

10. INTELLECTUAL PROPERTIES

FC hereby grants to FT a non-exclusive and non-transferable license to use the technical information, know how, techniques, processes, and work instructions related to the design and manufacture of the Products in the Territory under this Agreement.

Without any charge on FT, FC shall provide reasonable training, at a place designated by FC, to help facilitate the manufacture of the Products by FT.

Each party shall indemnify the other party against all claims, cost, or any expenses arising out of the infringement of the intellectual property rights attributable to the first party in relation to the manufacturing or the design of the Products, provided that promptly after such claim, the latter party must inform the first party and fully cooperate with such defense.

11. DUTIES AND COVENANTS OF FT

At all times during the continuance of this Agreement, FT shall:

11.1 Manufacturing

Carefully and faithfully exercise all reasonable skill, care, workmanlike manner to the highest professional standards, due diligence and best effort, in the performance of its duties in accordance with the Purchase Orders given to it under this Agreement. FT further agrees to strictly adhere to the Specifications and also with such other instructions from FC as may be given from time to time including keeping and maintaining the Materials in accordance with recognized international standards and specifications.

11.2 Compliance

At all times in manufacturing, packaging and delivery of the Products, observe and conform to the laws, rules, regulations, ordinances, terms and conditions of licenses (if any), and instruction of FC (if any).

11.3 Confidentiality

During the period of this Agreement and after its termination, FT shall keep confidential and not use, disclose or make available to any other person or entity any part or whole of the confidential information related to the affairs or business of FC, unless prior written consent to such use or disclosure is granted by FC. In addition, FT shall be solely responsible for all use, supervision, management and control of all FC information and shall ensure that any confidential information of FC is, at all times, protected from access, use or misuse or destruction by any unauthorised person or entity;

11.4 Maintenance of Equipment and Materials

At all time during the term of this Agreement, FT shall maintain and keep the Equipment provided by FC in good repair and fit for use in the manufacturing of Product for FC, solely at FT's expense. FT shall promptly notify FC in writing of any material defects in any Equipment. The expense of repairing any such defects shall be borne by FC, except in the case where such damage or defect is attributable to misuse or recklessness of FT or its employee, in which case the repair expense shall be borne by FT.

11.5 Maintain Capacity

Maintain manufacturing capacity throughout the term of this Agreement in accordance with the twenty-six week forecasts provided by FC.

11.6 Indemnification

Indemnify, defense and hold harmless FC from any and all liabilities, damages, claims or actions arising out of or in connection with any of the following matters:

- (i) the performance by FT of services to be provided hereunder;
- (ii) the failure of FT, or its employees, agents, or assigns, to comply with applicable laws or regulations;
- (iii) any claims made against FC due to any cause attributable to and/or arising from willful or negligent error or omission in or of any act of FT, its employees or representative; or
- (iv) any Product liabilities.

11.7 Quality control

Before the delivery of any of the Products, FT shall test the Products per the instructions of FC to ensure the quality and compliance of the Products to the Specifications.

At all reasonable times, FT shall permit FC or its authorised representatives to inspect the process of the production and materials used in the manufacture of Products.

11.8 Supply of sample

Supply FC, upon request, with random samples of the Products manufactured in compliance with the Purchase Order at FT's expense.

11.9 Use of Materials and FC's Equipment

Use the Materials and FC's Equipment only for the production of Products for FC and only for production under this Agreement.

11.10 Manufacturing Records

At its own expense, make available to FC, upon the request of FC, all records related to the production of Products under this Agreement, including manufacturing and test data.

11.11 Liability

Be responsible for any loss and damages of the Products and Materials in the manufacturing, configuration and testing process.

12. CONFIRMATION OF ACCEPTANCE

Within seven (7) days from the date FC receives the Products, FC shall complete a defects analysis of the Products.

13. NON-COMPLIANCE OF PRODUCTS

If FC determines, in its sole discretion, that there is any intrinsic design or manufacturing defect in any Product causing inoperative, hazardous or unsatisfactory condition or performance, FT shall promptly, at its own expense, remove the Product from the delivery site and refund to FC the Production fee for the defective units.

In the case where more than twenty (25%) percent of all units of the Products shipped within the period of delivery are defective or not in compliance with the Specifications, FC may reject such Products and FT shall be liable for any cost and expense paid or incurred in connection with the delivery and return of such Product from FC to FT.

14. FORCE MAJEURE

Neither party shall be deemed in breach of any provision of this Agreement or liable for any delay or failure in the performance of any obligation or the exercise of any right under this Agreement nor for any loss or damage (including direct or consequential loss or damage) therefrom, if such performance or exercise is prevented or hindered by any order or act of governmental or local authorities, the event of Act of God, flood, fire, accident, war, strike, riot, embargo, disaster, fire or Force Majeure, provided that the party of which the performance of duty under this Agreement is effected therefrom shall promptly give notice to the other party of such occurrence and endeavor to minimise the effects thereof.

15. OWNERSHIP

The ownership of the Materials supplied by FC, the Products, technical information and know how in manufacturing of the Products and the Equipment supplied by FC as listed in the Annex 2 shall at all times remain with FC.

16. TERM AND TERMINATION

16.1 Term

This Agreement shall become effective on the date first above written and continue in effect for a period of three (3) years unless earlier terminated according to Section 16.2.

The Term of this Agreement can be extended or varied upon the written notice given by FC to FT at least three (3) months prior to the termination date of this Agreement.

16.2 Events of termination

Notwithstanding the provision of Section 16.1, the following provisions shall apply upon the following events.

- (a) Should FC fails to pay the Production Fee to FT within thirty days of such fee becoming due and owing, FT may notify FC in writing of such failure and shall be entitled to terminate this Agreement if FC fails to pay the outstanding balance in full within fifteen days after such written notice.
- (b) FC may immediately terminate this Agreement by sending written notice of its intent to terminate by registered mail upon the occurrence of any of the following events:
 - (a) FT's failure to obtain or maintain any license, permit, registration or approval required in connection with FT's performance.
 - (b) Any change in ownership or control of FT or the sale of substantially all of the assets of FT to any third party.
- (c) Should either party be adjudicated bankrupt or insolvent, the other party may terminate this Agreement.
- (d) If either party breaches a material term or condition of this Agreement and fails to rectify such default within thirty (30) days from the date such party receives the notice from the other party requesting such defaulting party to rectify the default, the other party may immediately terminate this Agreement by giving a written notice to the party in default.

16.3 Renewal

This Agreement will be automatically renewed for successively one-year period, unless FC notify FT in writing within 90 days prior to the renewal date of its intention to terminate this Agreement or FT notifies FC in writing within 180 days prior to the renewal date of its intention to terminate this Agreement.

16.4 Consequence of termination

Unless otherwise agreed by the parties, any confidential information of any party obtained by the other party as a result of the relationship developed by the parties and reduced to writing under this Agreement, shall be kept confidential to the parties and shall not be disclosed or used otherwise. The provisions of this Section 16.4 shall survive the termination of this Agreement.

17. ASSIGNMENT

This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their successors. This Agreement may not be assigned by FT. Any attempt by FT to assign or otherwise convey any of its rights or obligations under this Agreement, whether voluntary or by operation of law, shall be void and no force and effect without the prior written consent of FC.

18. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the Kingdom of Thailand.

19. MISCELLANEOUS

19.1 Notice

Any notice or other communication to be given hereunder shall be delivered by hand, registered mail or sent by facsimile transmission to the addresses indicated as follows:

(a) In the case of FC, to:

FABRINET (CAYMAN ISLANDS)

c/o Fabrinet (USA)
4104 24th Street, #345
San Francisco, CA 94114
USA
Attention: General Counsel
Facsimile No: (415) 824-1543

(b) In the case of the FT, to:

FABRINET CO., LTD.

294 Moo 8, Vibhavadi Rangsit Road,
Kookot, Lumlookka,
Pathumthani
Thailand
Attention: Managing Director
Facsimile No: (662) 998-9955

Either party may change the address or facsimile number or the name of the person for whose attention notices are to be addressed by serving a notice to the other in accordance with this Section 19.1. All notices given in accordance with this Section shall be deemed to have been served as follows:

(a) if delivered by hand, or registered mail at the time of receive; or

(b) if communicated by facsimile at the time of transmission, or

- (c) if the day on which a notice would be deemed to have been served under this provision is not a business day, the relevant notice shall instead be deemed to have been served on the next following business day.

All notices or communications under or in connection with this Agreement shall be in the English language.

20.2 Severability

If any of the provision of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

20.3 Modification

This Agreement may be amended only by an instrument in writing signed by duly authorised representatives of each of the parties.

20.4 Relationship

Nothing in this Agreement shall be deemed to constitute a partnership between the parties nor constitute either party the agent of the other party for any purpose. Neither of the parties has authority to pledge, and neither party shall pledge, the credit of the other party for any fees, costs or expenses connected with this Agreement.

20.5 Expenses

Each of the parties shall pay its own costs, charges and expenses incurred in connection with the preparation and implementation of this Agreement and the transactions contemplated by it.

20.6 Waiver

Any waiver of right or remedy under this Agreement shall be effective only if it is in writing and signed by or on behalf of the party entitled to exercise such right or remedy. Any delay or failure of a party in exercising any right or remedy under this Agreement shall not constitute a waiver of the rights or remedies and no single or partial exercise of the right or remedy under this Agreement or otherwise shall prevent any exercise of any other right or remedy.

20.7 Counterpart

This Agreement is made in duplicate, each of which shall be an original and held by each party, but all counterparts shall together constitute one and the same instrument.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESSES WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorised representatives, effective as of the day and year first above written

FABRINET, an exempted company formed under the laws of the Cayman Islands

 /s/ Mark J. Schwartz

Mark J. Schwartz, Secretary

FABRINET CO. LTD., a limited company formed under the laws of the Kingdom of Thailand

 /s/ Soon Kaewchansilp

Dr. Soon Kaewchansilp, Director

WITNESS

 /s/ Pornchai Wessatada

Pornchai Wessatada

WITNESS

 /s/ Teera Achariyapaopan

Dr. Teera Achariyapaopan

LIST OF PRODUCTS

LIST OF EQUIPMENT

ADMINISTRATIVE SERVICES AGREEMENT

This Agreement is made effective as of January 2, 2000 by and between:

FABRINET, a corporation organized and existing under the laws of the State of California, USA, with its principal place of business at 4104 24th Street, #345, San Francisco, California 94114 (the "**Provider**"), and

FABRINET, an exempt company incorporated and existing under the laws of Cayman Islands, with a place of business at P.O. Box 256 GT, Grand Cayman, Cayman Islands, British West Indies ("**Recipient**"); and

Whereas

- (A) The Recipient requires administrative and financial services which Provider can provide; and
- (B) The Provider is willing to provide such services in return for appropriate compensation.

NOW, THEREFORE, the parties agree as follows:

1. Definitions

For purposes of this Agreement, the following definitions shall apply to the terms set forth below wherever they appear:

"**Fiscal Year**" means the twelve-month period ended 30 June.

2. Administrative and Financial Services

- 2.1 Administrative and Financial Services. During the term of this Agreement, Provider will provide the following administrative and financial services ("Services") to Recipient:
 - (a) financial, sales, marketing, and planning services;
 - (b) human resources services, including hiring, training, managing employee benefits, and record keeping; and
 - (c) miscellaneous other services.
- 2.2 Fees Payable to Provider. As compensation for the Services, Recipient will reimburse Provider for all labor and other employment expenses incurred by Provider in support of Recipient under this Agreement, including: base salary; bonus; home office expenses; medical insurance for each employee, spouse, and minor children; and, travel expenses. In addition, Recipient shall pay Provider a fee for its services equal to five percent (5%) of its base salary expense ("Service Fee"). Provider may, no greater than monthly, request Recipient to advance funds for certain reasonable expenses and Recipient hereby agrees to consent to such reasonable requests. Provider shall provide

Recipient with a quarterly statement of all of the expenses Provider incurred in support of Recipient under this Agreement, plus Provider's Service Fee, which aggregate amount shall be set off by any advance of funds. Recipient shall pay that amount within fifteen (15) days after receipt of a quarterly statement from the Provider. The Provider shall maintain and make available to Recipient, at its reasonable request, documentation of all employment contracts, bonus obligations, and other employee and overhead expenses.

3. Costs and Expenses

3.1 The Provider's Expenses. Except as provided above, all expenses incurred by Provider in operating its business shall be borne by the Provider.

3.2 The Recipient's Expenses. The Recipient shall be responsible for all expenses incurred in operating its business.

4. Personnel

The Provider agrees to provide qualified and suitable key personnel from time to time on such terms as may be mutually agreed upon. Appointment and removal of any such Provider personnel shall require prior written consent of the Recipient. Any person reasonably considered by the Recipient to be unsuitable for performance of his/her duties shall be replaced as soon as practicable with a person designated by the Provider and approved by the Recipient.

5. Confidential Information

Each party shall retain in confidence and shall not disclose to any other person any information furnished by the other party on a confidential basis under or in connection with the business of that other party without prior written consent.

6. The Provider's Best Efforts

The Provider will use its best efforts, skill and experience in rendering the Services described in Section 2. However, in the absence of fraud or gross negligence on the part of the Provider or any of its officers or employees, neither the Provider nor any of its officers or employees shall be responsible for, and the Recipient will hold the Provider and such persons harmless against, any and all claims or charges (and the cost and expense of defending against them) relating to the performance of the Services hereunder.

7. Term

This Agreement shall continue in full force and effect for a period of three (3) years starting on January 2, 2000 and expiring on January 1, 2003, unless sooner terminated pursuant to Section 8 hereof.

8. Termination

8.1 By the Provider. The Provider may, at its sole option, terminate this Agreement by giving written notice of termination to each member of the Board of Directors of the Recipient at least ninety (90) days prior to the date of such termination, but only in the event of occurrence of one or more of the following events:

- (a) If by reason of any applicable legislation or act of the governments of the countries of both parties, the performance of any material the Services hereunder or the remittance of any money payable hereunder is prohibited, or
- (b) If for any reason other than the default of the Provider, the Recipient fails or is unable to perform any of its material obligations under this Agreement, and such default continues for ninety (90) days or more after written demand for performance given to the Recipient by a person authorized to give such demand by the Board of Directors of the Provider.

8.2 By the Recipient. The Recipient may, at its option, by resolution of its Board of Directors terminate this Agreement in the event that the Provider fails to perform any of its material obligations hereunder and such default continues for a period of ninety (90) days after written demand for performance given to the Provider by a person authorized to give such demand by the Board of Directors of the Recipient.

9. Notice

Any notices required or allowed hereunder shall be in writing and either be given by fax confirmed by registered air mail letter or be delivered to the parties at the following addresses or to such other address as may be furnished by one party to the other:

PROVIDER:

Fabrinet (USA)

4104 24th Street, #345

San Francisco, California 94114

U.S.A.

ATTN: General Counsel

Fax: (415) 824-1543

RECIPIENT:

Fabrinet (Cayman Islands)

c/o Walkers

P.O. Box 256 GT, Walker House

Grand Cayman, Cayman Islands,

British West Indies

ATTN: Susan Harper, attorney

Fax: (815) 333-3648

10. Independent Contractors

This Agreement does not create a principal or agent, employer or employee partnership, joint venture, or any other relationship except that of independent contractors between the parties. Nothing contained herein shall be construed to create or imply a joint venture, principal and agent, employer or employee, partnership, or any other relationship except that of independent contractors between the parties, and neither party shall have any right, power or authority to create any obligation, express or implied, on behalf of the other in connection with the performance hereunder.

11. Assignment

This Agreement may not be transferred or assigned by either party without the prior written consent of the other.

12. Entire Agreement

This Agreement constitutes the entire contract between the Provider and the Recipient with respect to the subject matter of this Agreement between the parties hereto.

13. Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the United States and any dispute or claim arising out of this Agreement shall be venued in Santa Clara County, California.

14. Counterpart

This Agreement is made in duplicate, each of which shall be an original and held by each party, but all counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above-mentioned.

**PROVIDER:
FABRINET (USA)**

By: /s/ Mark J. Schwartz
Name: Mark J. Schwartz
Title: Senior Vice President

**RECIPIENT:
FABRINET (CAYMAN ISLANDS)**

By: /s/ D. T. Mitchell
Name: David T. Mitchell
Title: Chairman of the Board

US\$ 35,000,000 FACILITY AGREEMENT

dated 15 December, 2006

for

FABRINET

FABRINET COMPANY LIMITED

as co-Borrowers

with

ABN AMRO Bank N.V.

as Lender

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THIS AGREEMENT is dated 15 December, 2006 and made between:

- (1) (A) **FABRINET**, a company incorporated in Cayman Islands whose registered office is at Walker House P.O. Box 908 GT 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies, as the borrower (the “**Fabrinet**”) and
- (B) **FABRINET CO., LTD.**, a company incorporated in Thailand whose registered office is at 294 Moo 8, Vibhavadi Rangsit Road, Kookot, Lumlookka, Pathumthanee 12130, Thailand, as the borrower (the “**Fabrinet Co**”),

(**Fabrinet** and **Fabrinet Co** shall be collectively referred to as the “**Borrowers**” and individually as the “**Borrower**”),

AND

- (2) **ABN AMRO BANK N.V.**, a company incorporated in the Netherlands and acting through its offices located at One Raffles Quay, South Tower, Singapore 048583 and 3-4 Floor, Bangkok City Tower 179/3 South Satorn Road, Bangkok 10120, Thailand, as the lender (the “**Lender**”).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Accounts Receivable**” means all accounts (as defined in the U.C.C.) of Fabrinet evidencing the receivables owed or to be owed by any account debtor of Fabrinet including but not limited to JDS Uniphase Corporation, Finisar Corp, Avanex, Emcore, Intel Corporation, Opnext, and Bookham or any of their respective successors, including, without limitation, accounts which arise or have arisen pursuant to any sale and purchase agreement (including, but not limited to, all Sale and Purchase Agreements), and all rights to the payment of money for or relating to the sale or lease of goods or for services rendered, in each case whether or not earned by performance, including all monies or rights to payment due and to become due to Fabrinet for goods sold or leased or for services rendered including, without limitation, rights evidenced by an account, note, contract, security agreement or other evidence of indebtedness or security together with (i) all security pledged, assigned, hypothecated or granted to or held by Fabrinet to secure the foregoing, (ii) all of the grantor’s right, title and interest in and to any goods, the sale of which gave rise to any of the foregoing, (iii) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (iv) all powers of attorney for the execution of any evidence of indebtedness or security or other writing in connection therewith, (v) all books, records, ledger cards, and invoices relating thereto, (vi) all evidence of the filing of financing statements and other statements and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (vii) all credit information, reports

and memoranda relating thereto and (viii) all other writings related in any way to the foregoing.

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“Assignment and Security Agreement” means an assignment and security agreement entered into or to be entered into between Fabrinet and the Lender in form and substance acceptable to the Lender whereby Fabrinet has agreed to, and does, assign, and grant a security interest in, the Accounts Receivable originating from the Relevant Customers to the Lender as a security for the performance of the Borrowers’ obligations under the Finance Documents.

“Authorisation” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law or regulation if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“Availability Period” means the period from and including the date of this Agreement and ending on the earlier of:

- (i) for Tranche I, the date which is 24 months after the date of the initial Tranche I Loan; and
- (ii) for Tranche II, the date which is 12 months after the date of the initial Tranche II Loan;

provided, however, that the initial Tranche II Loan must be made within 180 days of the date of this Agreement, and the initial Tranche I Loan must be made within 360 days of the date of the initial Tranche II Loan.

“Available Facility” means the sum of the Available Tranche I Facility and the Available Tranche II Facility.

“Available Tranche I Facility” means, at any time, the amount of Tranche I Commitment then existing minus the aggregate principal amount of all Tranche I Loans then outstanding.

“Available Tranche II Facility” means, at any time, the amount of Tranche II Commitment then existing minus the aggregate principal amount of all Tranche I Loans then outstanding.

“Bank of Nova Scotia Facility” means the credit facility extended by The Bank of Nova Scotia to either or both of the Borrowers pursuant to the Revolving Facility Agreement dated 4 March 2005.

“Break Costs” means the amount (if any) by which:

- (a) the interest which the Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the relevant interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“Business Day” means a day (other than a Saturday or Sunday) on which:

- (a) in relation to a quotation of LIBOR, a day on which the commercial banks are open for general business in Bangkok and New York City (and any other relevant financial center) for the transaction of business of the nature required by this Agreement and also, in relation to a day on which a payment is required, in the place where such payment is to be made in accordance with this Agreement;
- (b) in relation to other matters, a day on which the Lender is open for business in Bangkok.

“**Cash Equivalents**” means (a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) U.S. dollar denominated time and demand deposits and certificates of deposit of (i) the lender, (ii) any bank whose short-term commercial paper rating from Standard & Poor’s Ratings Services (a division of the McGraw-Hill Companies, Inc., “S&P”) is at least A-1 or the equivalent thereof or from Moody’s Investors Service, Inc. (“Moody’s”) is at least P-1 or the equivalent thereof (any such bank being an “Approved Bank”), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody’s and maturing within six months of the date of acquisition, (d) repurchase agreements with Approved Banks for direct obligations issued by or fully guaranteed by the United States of America in which the Borrower shall have a perfected first priority security interest (subject to no other Security) and having on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by financial institutions having capital of at least US\$500,000,000 and the portfolios of which are limited to investments of the character described in the foregoing subdivisions (a) through (d).

“**Certification Report**” means a certification report substantially in the form set out in Schedule 1 (*Form of Certification Report*).

“**CI\$**” means the lawful currency for the time being of the Cayman Islands.

“**Commitment**” means the sum from time to time of the Tranche I Commitment and the Tranche II Commitment.

“**Commitment Fee**” means the periodic fee required by Clause 11.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 18.8 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Default Interest Rate**” means the sum of (i) LIBOR for consecutive overnight periods plus (ii) the Margin applicable to the respective Loan prior to Default, plus (iii) two per cent. (2.00%) per annum.

“**EBITDA**” means income of the Borrowers and their Subsidiaries, on a consolidated basis, for the four fiscal quarters most recently concluded, before income taxes (i) excluding all non-recurring items and extraordinary gains or losses including but not limited to in-process research and development write-offs and direct acquisition integration costs and (ii) plus (1) Interest Expense, (2) depreciation and amortization expense, and (3) income (or loss) from

discontinued operations, all as the same are or would be set forth in a statement of the income of the Borrowers and their Subsidiaries, on a consolidated basis, for such period.

“Eligible Accounts Receivable” means the aggregate value of all outstanding Accounts Receivable calculated on the last day of the calendar month immediately preceding the proposed Utilisation Date; **provided that**, such Accounts Receivable:

- are not due from any affiliate of either Borrower;
- are not subject to any specific allowance or provision, or to any Security;
- are not subject to contra-accounts, off-setting, bartering (payment in kind), disputes or counterclaims;
- do not have an original term of more than 90 days;
- are not past due from their original maturity date;
- do not include Accounts Receivable due from any account debtor to the extent the amount of such Accounts Receivable, when added to all other Eligible Accounts Receivable due from the same account debtor would exceed fifteen per cent. (15%) of all Eligible Accounts Receivable or, in the case of secured Accounts Receivable due from JDSU and Finisar, twenty five per cent. (25%) of all Eligible Accounts Receivable; and
- are subject to the perfected security interest of the Lender.

“Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Agency, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of either Borrower or directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with either Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an “accumulated funding deficiency” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303 (d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by either Borrower or any of its ERISA Affiliates of any liability under Title IV of

ERISA with respect to the termination of any Plan; (e) the receipt by either Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by either Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by either Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from either Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“**Event of Default**” means any event or circumstance specified as such in Clause 18.8 (*Events of Default*).

“**Facility**” means the revolving loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**Facility Fee**” means the one-time fee required by Clause 11.

“**Finance Document**” means this Agreement, the Security Documents and any other document designated as such by the Lender and the Borrowers.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any promissory note, bill of exchange, purchase facility or the issue of bonds, promissory notes, bills of exchange, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

“**GAAP**” means:

- (i) in relation to Fabrinet Co, generally accepted accounting principles in Thailand; and
- (ii) in relation to Fabrinet, generally accepted accounting principles in the United States of America.

“Governmental Agency” means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, the Ministry of Finance, the Bank of Thailand, any stock exchange or any self-regulatory organisation established under statute).

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Holding Company” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

“Interest Bearing Debt” means all Financial Indebtedness other than subordinated shareholder loans as defined in the Original Financial Statements.

“Interest Expense” means, for any period, the total interest expense of the Borrowers determined as the same would be set forth in a statement of income of the Borrowers for such period.

“Interest Period” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*).

“Loan” means a loan made or to be made under Tranche I or Tranche II of the Facility or the principal amount outstanding for the time being of that loan.

“Margin” means, with respect to each Tranche I Loan, two and one quarter per cent. (2.25%) per annum; and with respect to each Tranche II Loan, one and three quarters per cent. (1.75%) per annum.

“Material Adverse Effect” means a material adverse effect, which has been determined by the Lender, on (a) the business, operations, property, condition (financial or otherwise) or prospects of either of the Borrowers taken as a whole; (b) the ability of either of the Borrowers to perform its obligations under the Finance Documents; or (c) the validity or enforceability of this Agreement or the rights or remedies of the Lender under the Finance Documents.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Notice of Assignment” means the notice(s) of assignment as required under the Assignment and Security Agreement.

“Original Financial Statements” means the audited consolidated financial statements of the Borrowers for their respective financial years ended June 30, 2006.

“Party” means a party to this Agreement.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which either Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Promissory Note” means a non-negotiable promissory note having a term of not exceeding six (6) months (but, in any case, not exceeding the Availability Period) issued by the Borrowers payable to the Lender, substantially in the form set out in Schedule 2 (*Form of Promissory Note*) and affixed with the stamp duty.

“Quotation Day” means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period.

“Receipt” means a receipt substantially in the form set out in Schedule 3 (*Form of Receipt*) or such other form as is agreed between the Lender and the Borrowers.

“Related Contracts” means all instruments, chattel paper or letters of credit (each as defined in the U.C.C.) and all security agreements, guaranties, leases and other contracts and contract rights arising from the sale or lease of goods or services rendered, of Fabrinet, including, without limitation, all those evidencing, representing, arising from or existing in respect of, securing or otherwise supporting the payment of, or in any way relating to, any of the Receivables.

“Relevant Customer” means any customer of Fabrinet which is organized and exists under the laws of the United States of America or any State or other political subdivision thereof, or which is acting through an office or other permanent establishment located in the United States of America.

“Rollover Loan” means Loan:

- (a) made or to be made on the same day that a maturing Loan is due to be repaid;
- (b) the aggregate amount of which is equal to or less than the maturing Loan; and
- (c) made or to be made to the same Borrower for the purpose of refinancing a maturing Loan.

“Rollover Request” means a notice substantially in the form set out in Schedule 6 (*Form of Rollover Request*).

“Sale and Purchase Agreements” means the sale and purchase agreements (or any other writings related in any way to the sale or lease of goods or for services rendered including, but not limited to, the Related Contracts) entered into or to be entered into between Fabrinet and the Relevant Customers or any of them.

“Security” means a mortgage, pledge, hypothecation, title retention, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preferential payment arrangement, priority or other security agreement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing and the filing of any financing statement or similar instrument under the U.C.C. or comparable law of any jurisdiction, domestic or foreign.

“Security Documents” means the Assignment and Security Agreement (including the Notice of Assignment) and any other document executed from time to time by each Borrower or whatever person as a further guarantee of or security for all or any part of the Borrower’s obligations under the Finance Documents.

“LIBOR” means, in relation to any relevant Interest Period and any relevant Loan amount, the rate determined by the Lender to be the rate per annum at which US Dollar deposits for such period and in an amount comparable to such Loan amount were or would be offered to the Lender by prime banks in the London interbank market at or about 11:00 a.m. (London time) on the Quotation Day for such Interest Period.

“**Subsidiary**” means in relation to any company, any other company or other entity which is directly or indirectly under the control of the first-mentioned company or (whether or not so controlled) treated as a subsidiary in the financial statements of that company from time to time, and for this purpose “**control**” of a company or entity means ownership of more than fifty per cent (50%) of the voting share capital or equivalent right of ownership of such company or entity or of its Holding Company or power to direct its affairs or power to control the composition of its board of directors or equivalent body, in each case, whether by contract or otherwise;

“**Tangible Net Worth**” shall mean paid up capital plus reserves and subordinated loans from shareholders less goodwill, intangibles, any upward revaluation of assets and minority interests, calculated in accordance with GAAP applied consistently with the accounting principles and practices used in the preparation of the Original Financial Statements.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Tranche I Loan**” means a loan made or to be made under Tranche I of the Facility or the principal amount outstanding for the time being of that loan.

“**Tranche II Loan**” means a loan made or to be made under Tranche II of the Facility or the principal amount outstanding for the time being of that loan.

“**Tranche I Commitment**” means the obligation of the Lender to make Tranche I Loans to one or more Borrowers in an aggregate amount not exceeding US\$15,000,000, as such amount may be modified from time to time pursuant to the terms hereof.

“**Tranche II Commitment**” means the obligation of the Lender to make Tranche II Loans to one or more Borrowers in an aggregate amount not exceeding US\$20,000,000, as such amount may be modified from time to time pursuant to the terms hereof.

“**Total Funded Debt**” means the sum, computed, as of the last day of the calendar month immediately preceding the proposed Utilisation Date as shown in the relevant Certification Report, without duplication, of the following: (a) all amounts payable by the Borrower in respect of the principal under the Facility during such period plus (b) all amounts payable by the Borrower in respect of interest expense under the Facility during such period plus (c) all fees, expenses, indemnity amounts and any other amounts payable to the Lender during such period pursuant to the Finance Documents plus (d) all amounts payable by the Borrower in respect of the Financial Indebtedness of the Borrower (in each case, upon the occurrence of the payment date thereof, by acceleration or otherwise).

“**U.C.C.**” mean the Uniform Commercial Code, as in effect in the State of New York, as the same may be amended from time to time.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**US Dollar(s)**” or “**US\$**” means the lawful currency for the time being of the United States of America.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made and/or being the date on which the relevant Loan is to be rollover.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 4 (*Form of Utilisation Request*).

“**Withdrawal Liability**” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “**Lender**”, any “**Borrower**” or any “**Party**” shall be construed so. as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
 - (iv) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (v) a “**person**” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vi) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of the Ministry of Finance, the Bank of Thailand, any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (vii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (viii) a time of day is a reference to Bangkok time unless otherwise specified.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been remedied or waived.

1.3 Joint and Several Obligations

The obligations of each Borrower under this Agreement are joint and several to the other Borrower. The failure by either Borrower to perform its obligations under this Agreement shall not affect the obligations of the other Borrower to perform the obligations under this Agreement in full. Each Borrower is obliged to fulfil the obligation of the other Borrower which fails to fulfil its obligations under this Agreement.

**SECTION 2
THE FACILITY**

2. THE FACILITY

Subject to the terms of this Agreement, the Lender shall make available to the Borrowers US Dollar revolving short-term loan uncommitted facilities in an aggregate amount at any time not exceeding the Commitment.

3. PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under the Facility towards its general corporate requirements.

3.2 Monitoring

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrower may not deliver a Utilisation Request, and the Lender shall have no obligation to honor any Utilization Request, unless the Lender has received all of the documents and other evidence listed in and appearing to comply with the requirements of Schedule 5 (*Conditions precedent*).

4.2 Further conditions precedent

The Lender may make the Facility available for utilization by the proposed Utilisation Date if:

- (a) on the date of the relevant Utilisation Request and on the proposed Utilisation Date, in the case of all Facilities:
- (i) in the case of a Rollover Loan, no Event of Default has occurred and is continuing or would result from the proposed Rollover Loan and, in the case of any other Loan, no Default has occurred and is continuing or would result from the proposed Loan;
 - (ii) in the case of a Tranche I Loan, the Bank of Nova Scotia Facility has been terminated and all amounts owed in connection therewith by the Borrowers or either of them has been indefeasibly paid in full;
 - (iii) in the case of a Tranche I Loan, the aggregate principal amount of all Tranche II Loans then outstanding is not less than seventy five per cent. (75%) of the Tranche II Commitment; provided that this condition shall be deemed eliminated upon delivery to the Bank of evidence satisfactory to the Bank of termination of the Bank of Nova Scotia Facility and of all Security which arose from or in connection with the Bank of Nova Scotia Facility;
 - (iv) in the case of a Tranche II Loan, the amount of such Loan, when added to the aggregate amount of all other Tranche II Loans then outstanding, does not exceed eighty per cent. (80%) of Eligible Accounts Receivable then existing; and

- (v) the representations to be made by the Borrower under Clause 16 (*Representations*) are true in all material respects as if made on and as of the proposed Utilization Date.
- (b) prior to the proposed Utilisation Date, the Lender has received the Certification Report, and such Certification Report shall have been approved by the Lender.

4.3 Maximum number of Loans

The Borrowers may not deliver more than ten (10) Utilisation Requests and/or Rollover Requests in any calendar month.

SECTION 3 UTILISATION

5. UTILISATION

5.1 Delivery of a Utilization Request and Rollover Request

- (a) A Borrower may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than two (2) Business Days prior to the proposed Utilization Date; and/or
- (b) A Borrower may rollover the Loan by delivery to the Lender of a duly completed Rollover Request not later than two (2) Business Days prior to the proposed Utilization Date.

5.2 Completion of a Utilisation Request and Rollover Request

- (a) Each Utilisation Request and/or Rollover Request, as the case may be, is irrevocable and will not be regarded as having been duly completed unless:
 - (i) the proposed Utilisation Date is a Business Day within the Availability Period;
 - (ii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
 - (iii) the proposed Interest Period complies with Clause 9 (*Interest Periods*).
- (b) Only one Loan may be requested in each Utilisation Request and/or Rollover Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be US Dollars.
- (b) The amount of the proposed Loan must:
 - (i) be an amount which is not more than the Available Tranche I Facility or Available Tranche II Facility, as the case may be, and which is a minimum of US\$ 500,000 (and on integral multiple of US\$ 500,000) or, if less, the Available Tranche I Facility or Available Tranche II Facility; and
 - (ii) be an amount which is not more than, at any one time, the maximum amount of the Facility.

5.4 Receipt

The Borrower shall deliver to the Lender a duly completed Receipt in respect of each Loan made, unless such Loan is a Rollover Loan, not later than 2:00 p.m. on the respective Utilization Date.

5.5 Promissory Notes

Not later than 10.00 a.m. on each proposed Utilisation Date, the Borrower shall deliver the Promissory Note, duly executed and affixed with stamp duty, evidencing the proposed Loan to be drawn and/or the Rollover Loan to be rollover to the Lender. Each such Promissory Note shall specify whether it evidences a Tranche I Loan or a Tranche II Loan.

5.6 Utilisation Request Irrevocable

A Utilisation Request once given shall be irrevocable and the Borrower shall be bound to draw any Loan in accordance with the Utilisation Request, except as otherwise provided in this Agreement. If for any reason such Loan is not drawn in accordance with a Utilisation Request, the Borrower shall on demand pay to the Lender compensation for any loss or expense incurred in liquidating or redeploying funds acquired or arranged for the purpose of the proposed Loan or in terminating any such arrangement or any hedging arrangement in respect of this Agreement or otherwise as a consequence of the proposed Loan not having been drawn in accordance with the Utilisation Request.

SECTION 4 REPAYMENT AND PREPAYMENT

6. REPAYMENT

6.1 Repayment

Each Borrower which has drawn a Loan shall repay that Loan on the last day of its Interest Period.

6.2 Reborrowing

Unless a contrary indication appears in this Agreement, any part of the Facility which is repaid may be reborrowed in accordance with the terms of this Agreement.

7. PREPAYMENT

7.1 Illegality

If it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain any Loan:

- (a) the Lender shall promptly notify the Borrowers upon becoming aware of that event;
- (b) upon the Lender notifying the Borrower, - the Facility will be immediately cancelled; and
- (c) the Borrower shall prepay the Loans on the last day of the Interest Period for each Loan occurring after the Lender has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

The Borrowers may, if they give the Lender not less than five (5) Business Days' (or such shorter period as the Lender may agree) prior notice, cancel the whole or any part (being a minimum amount of US\$500,000) of the Available Tranche I Facility or the Available Tranche II Facility.

7.3 Voluntary prepayment of Loans

Each Borrower which has drawn a Loan may, if it gives the Lender not less than five (5) Business Days' (or such shorter period as the Lender may agree) prior notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the amount of the Loan by a minimum amount of US\$ 1 million); provided that if any such prepayment is made on a day other than the last day of an Interest Period with respect to such Loan, it shall be accompanied by Break Costs as calculated by the Lender.

SECTION 5 COSTS OF UTILISATION

8. INTEREST

8.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin; and
- (b) LIBOR.

8.2 Payment of interest

The Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period.

8.3 Default interest

If there is an Event of Default, interest shall accrue on all outstanding Loans from the date of the relevant Event of Default up to the date such Event of Default is cured by the Borrower, waived in accordance with this Agreement or such Unpaid Sums have been paid in full, whichever is earliest, at the Default Interest Rate. Any interest accruing under this Clause 8.3 shall be payable on demand by the Lender or, if not demanded, on the last Business Day of each consecutive calendar month.

8.4 Notification of rates of interest

The Lender shall promptly notify the relevant Borrower of the determination of a rate of interest under this Agreement

9. INTEREST PERIODS

9.1 Calculation of Interest Period

The Interest Period for a Loan shall be one, two, three or six months, as specified by the respective Borrower in the relevant Utilization Request. The first Interest Period for any Loan shall commence on the Utilization Date of the respective Loan; provided that no Interest Period may end after the last day of the respective Availability Period; and provided further that if any Interest Period would end on a day which is not a Business Day, then such Interest Period shall continue until the next succeeding Business Day (and interest shall continue to accrue during such additional period), *unless* such next succeeding Business Day would be in the next calendar month, in which case such Interest Period shall end on the next *preceding* Business Day.

10. CHANGES TO THE CALCULATION OF INTEREST

10.1 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the interest rate of that Loan for the Interest Period shall be the rate per annum which is the sum of:
- (i) the Margin; and
 - (ii) the rate notified to the Borrower by the Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to the Lender of funding its participation in that Loan from whatever source it may reasonably select.
- (b) In this Agreement “**Market Disruption Event**” means if in relation to any proposed Loan, the Lender determines (which determination shall be conclusive and binding) that:
- (i) by reason of circumstances affecting the London interbank market generally, adequate and fair means do not exist for ascertaining LIBOR for the relevant Interest Period;
 - (ii) deposits in US Dollars in the amount required for the relevant Interest Period are not available to the Lender in the Singapore interbank market; or
 - (iii) before close of business in Bangkok and/or Singapore on the Quotation Day for the relevant Interest Period, the Borrowers receive notifications from the Lender that the cost to it of obtaining matching deposits in the Singapore interbank market would be in excess of LIBOR.

10.2 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Lender or the Borrower to which a Loan has been made so requires, the Lender and that Borrower shall enter into negotiations (for a period of not more than thirty (30) days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of the Lender and the Borrowers, be binding on all Parties.

10.3 Break Costs

- (a) The Borrowers shall, within three (3) Business Days of demand by the Lender, pay to the Lender its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) The Lender shall, as soon as reasonably practicable, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue to the Borrower.

11. COMMITMENT AND FACILITY FEES

11.1 Commitment Fee

The Borrowers jointly and severally agree to pay to the Lender a Commitment Fee calculated at the rate of three tenths of one per cent (0.30%) per annum and the average daily Available Facility, such Commitment Fee to be paid on the last Business Day of each consecutive calendar quarter.

11.2 Advisory Fee

The Borrowers shall, within seven (7) Business Days of the date of this Agreement, pay to the Lender at its Bangkok branch a non-refundable advisory fee in the amount of US\$262,500.00 on the date of this Agreement.

SECTION 6 ADDITIONAL PAYMENT OBLIGATIONS

12. TAX GROSS UP AND INDEMNITIES

12.1 Definitions

(a) In this Clause 12:

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by any Borrower to the Lender under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 12 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

- (a) All payments to be made by any Borrower to the Lender under the Finance Documents shall be made free and clear of and without any Tax Deduction unless such Borrower is required to make a Tax Deduction, in which case the sum payable by such Borrower (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that the Lender receives a sum net of any deduction or withholding equal to the sum which it would have received had no such deduction or withholding been made or required to be made.
- (b) Each Borrower shall promptly upon becoming aware that any of them must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly.
- (c) If any Borrower is required to make a Tax Deduction, that Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower making that Tax Deduction shall deliver to the Lender evidence reasonably satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) Without prejudice to Clause 12.2 (*Tax gross-up*), if the Lender is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by the Lender whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender, each Borrower shall, within three (3) Business Days of demand of the Lender, promptly indemnify the Lender which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, provided that this

Clause 12.3 shall not apply to any Tax imposed on and calculated by reference to the net income actually received or receivable by the Lender (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by the Lender but not actually receivable) by the jurisdiction in which the Lender is incorporated.

- (b) If the Lender obtains fund from outside Thailand and is required by law to make any deduction or withholding from interest and fees which are payable to its source of funds, the Borrowers shall reimburse the Lender an amount certified by the Lender to be equal to such amount the Lender is required to pay or had paid to the relevant governmental agency so that its source of fund receives the full amount of interest and fees which it would have received if no such deduction or withholding had been made.
- (c) The Lender intending to make a claim under paragraph (a) and (b) shall notify the Borrowers of the event giving rise to the claim.

13. INCREASED COSTS

(a) Each Borrower shall, within three (3) Business Days of a demand by the Lender, pay the Lender the amount of any Increased Costs incurred by the Lender as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement. The terms "law" and "regulation" in this paragraph (a) shall include, without limitation, any law or regulation concerning capital adequacy, prudential limits, liquidity, reserve assets or Tax.

(b) In this Agreement "**Increased Costs**" means:

- (i) a reduction in the rate of return from the Facility or on the Lender's overall capital (including, without limitation, as a result of any reduction in the rate of return on capital brought about by more capital being required to be allocated by such the Lender);
- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by the Lender to the extent that it is attributable to the Lender having made the Facility available or funding or performing its obligations under any Finance Document.

14. OTHER INDEMNITIES

Each Borrower shall, within three (3) Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

- (a) the occurrence of any Event of Default;
- (b) the information produced or approved by any Borrower being misleading and/or deceptive in any respect;
- (c) any enquiry, investigation, subpoena (or similar order) or litigation with respect to the Borrower or with respect to the transactions contemplated or financed under this Agreement;
- (d) a failure by any Borrower to pay any amount due under a Finance Document on its due date;

- (e) funding a Loan requested by any Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone);
- (f) any Environmental Liability; or
- (g) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

15. COSTS AND EXPENSES

15.1 Transaction expenses

The Borrowers shall, within three (3) Business Days of demand, pay the Lender, the amount of all costs and expenses (including legal fees)-reasonably incurred by it in connection with the negotiation, preparation, printing and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

15.2 Amendment costs

If the Borrowers request an amendment, waiver or consent in connection with any Finance Document, the Borrowers shall, within three (3) Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including attorneys' fees) reasonably incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

15.3 Enforcement costs

The Borrowers shall, within three (3) Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7 REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

16. REPRESENTATIONS

Each Borrower makes the representations and warranties set out in this Clause 16 (*Representations*) to the Lender on the date of this Agreement.

16.1 Status

- (a) (i) In relation to Fabrinet Co, it is a limited liability company, duly incorporated and validly existing under the laws of the Kingdom of Thailand; and
- (ii) In relation to Fabrinet, it is an exempted company, duly formed under the laws of Cayman Islands.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

16.2 Binding obligations

Each Finance Document to which it is a party constitutes its legal, valid and binding obligation enforceable against it in accordance with its respective terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

16.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its and each of its Subsidiaries' constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets.

16.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

16.5 Validity and admissibility in evidence

All Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation; and
- (c) for it to carry on their business, and which are material,

have been obtained or effected and are in full force and effect, except that a Thai translation of Finance Documents will be required and the Financing Documents will need to have affixed thereto the applicable stamp duties to be admissible in legal proceedings in the Thai Courts.

16.6 Stamp duties

No stamp or registration duty or similar taxes or charges are payable in any relevant jurisdiction in respect of any Finance Document to which the Borrower is a party other than:

- (a) stamp duty of Baht 10,000 payable on an executed copy of this Agreement (and a stamp duty of Baht 5 for each additional copy hereof), such stamp duty must be paid within fifteen (15) days of execution of the relevant document if executed in Thailand or within thirty (30) days of the original being taken into Thailand if the relevant document is executed outside Thailand; and
- (b) stamp duty of CI\$0.25 per CI\$100 or part thereof of the face value of each executed Promissory Note, subject to a maximum of CI\$250, payable on an executed Promissory Note if such Promissory Note is executed in, brought into the Cayman Islands or produced before a court of the Cayman Islands, such stamp duty must be paid within forty five (45) days of execution of the relevant Promissory Note if executed in the Cayman Islands or within forty five (45) days of the original being taken into the Cayman Islands if the relevant Promissory Note is executed outside the Cayman Islands.

16.7 No default

- (a) No Default is continuing or might reasonably be expected to result from the making of any Utilisation.

- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or its Subsidiaries') assets are subject which might have a Material Adverse Effect.

16.8 No misleading information

- (a) Any factual information provided by the Borrowers was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (b) Any financial projections provided by the Borrowers have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Nothing has occurred and no information has been given or withheld that results in the information provided by the Borrowers being untrue or misleading in any material respect.

16.9 Financial statements

- (a) Its Original Financial Statements were prepared in accordance with GAAP consistently applied save to the extent expressly disclosed in such Original Financial Statements.
- (b) Its Original Financial Statements give a true and fair view and represent its financial condition and operations (consolidated in the case of the Borrower) during the relevant financial year save to the extent expressly disclosed in such Original Financial Statements.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Borrowers) since the date of the Original Financial Statements.

16.10 Pari passu ranking

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

16.11 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

16.12 Authorised Signatures

Any person specified as its authorised signatory under Schedule 5 (*Conditions precedent*) or Clause 17.3(d) (*Information: miscellaneous*) is authorised to sign Utilisation Requests and other notices on its behalf.

16.13 Repetition

All representations given by each Borrower under this Clause 16 are deemed to be made by each Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request, each Utilisation Date and the first day of each Interest Period.

16.14 ERISA

No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all

accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$1,000,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$1,000,000 the fair market value of the assets of all such underfunded Plans.

16.15 Environmental Matters

Except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither Borrower (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

17. INFORMATION UNDERTAKINGS

The undertakings in this Clause 16.14 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

17.1 Financial statements

Each Borrower shall supply to the Lender:

- (a) as soon as the same become available, but in any event within 120 (one hundred and twenty) days after the end of each of its financial years its audited consolidated financial statements for that financial year;
- (b) as soon as the same become available, but in any event within sixty (60) days after the end of each of the first three quarters of each of its financial years its consolidated financial statements (including statements of income, cash flow statements and balance sheets) for that quarter of such financial year, which shall be in form and substance satisfactory to the Lender.

17.2 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 17.1 (*Financial statements*) shall be certified by a director of the relevant Borrower as fairly representing its financial condition as at the date as at which those financial statements were drawn up.
- (b) Each set of financial statements delivered by the Borrowers pursuant to Clause 17.1(a) shall be certified, without material except, by independent public accountants of recognized standing selected by the Borrowers and satisfactory to the Lender.

- (c) Each Borrower shall procure that each set of financial statements delivered pursuant to Clause 17.1 (*Financial statements*) is prepared using the applicable GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements for the Borrower unless, in relation to any set of financial statements, it notifies the Lender that there has been a change in applicable GAAP, the accounting practices or reference periods and its auditors (or, if appropriate, the auditors of the Borrower) deliver to the Lender:
- (i) a description of any change necessary for those financial statements to reflect the applicable GAAP, accounting practices and reference periods upon which 'the Borrower's Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Lender, to enable the Lenders to make an accurate comparison between the financial position indicated in those financial statements and 'the Borrower's Original Financial Statements.
- Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.
- (d) Each set of financial statements delivered by the Borrowers pursuant to Clauses 17.1(a) and 17.1(b) shall a compliance certificate, duly executed by the chief financial officer of the respective Borrower, to substantially the effect set forth in Schedule 7 hereto.

17.3 Information: miscellaneous

Each Borrower shall supply to the Lender:

- (a) Not later than the 15th day of each consecutive calendar month a report, in reasonable detail and in form and substance satisfactory to the Lender, of the Eligible Accounts Receivable of such Borrower as of the last Business Day of the immediately preceding calendar month;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against the Borrower, and which might, if adversely determined, have a Material Adverse Effect;
- (c) promptly, such further information regarding the financial condition, business and operations of the Borrower as the Lender may reasonably request;
- (d) promptly, notice of any change in authorised signatories of any Borrower signed by a director or Borrower secretary of such Borrower accompanied by specimen signatures of any new authorised signatories;
- (e) promptly upon the request of the Lender, the Sale and Purchase Agreement together with all relevant invoice dispatched to the Relevant Customer (including any amendment or supplemental to such Sale and Purchase Agreement);
- (f) promptly upon the request of the Lender, notice of any sale to the new Relevant Customer together with the details and the relevant copy of the Sale and Purchase Agreement;
- (g) promptly upon the request of the Lender, the confirmation signed by a director or Borrower secretary of such Borrower confirming that the terms and conditions of the Sale and Purchase Agreement are unchanged; and

(h) details of any security or guarantees that the each Borrower provides or has provided to any other lender, creditor or contractor.

17.4 Notification of default

- (a) Each Borrower shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence and in any event within five (5) Business Days of gaining actual knowledge thereof.
- (b) Promptly upon a request by the Lender, each Borrower shall supply to the Lender a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

18. GENERAL UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

18.1 Authorisations

Each Borrower shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Lender of,

any Authorisation required to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

18.2 Compliance with laws

Each Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

18.3 Change of business

Each Borrower shall procure that no substantial change is made to the general nature of its business from that carried on at the date of this Agreement.

18.4 Change of Management

Each Borrower shall maintain a management position of Mr. David T. Mitchell with the Borrower at all times, and his authority shall not be reduced with respect to either Borrower from its current level.

18.5 Shareholding Percentage

With respect to Fabrinet only, Fabrinet shall maintain, direct or indirect shareholding in Fabrinet Co at all times not less than 90% of total share capital in Fabrinet Co;

18.6 Filing of Financing Statements

Fabrinet shall ensure that the Assignment and Security Agreement and the Security created thereby, if appropriate under the applicable law, has been registered with each relevant Governmental Agency.

18.7 Delivery of Notice

If Fabrinet makes any additional sales in the United States of America to any new customer, Fabrinet shall promptly deliver a notification, as required to be issued to such new customer pursuant to the terms of the Assignment and Security Agreement, to the Lender.

18.8 Security

The Borrowers agree that they shall not, and shall not permit any Subsidiary to, create, assume, incur or suffer to exist any Security on any asset now owned or hereafter acquired by either of them, except for the following (the "Permitted Security"):

(a) Security existing on the date hereof, which are reflected in the Original Financial Statements; and renewals, extensions and continuations thereof, provided that such renewals, extensions and continuations shall not (i) increase the Financial Indebtedness, secured thereby, or (ii) extend the coverage thereof beyond the original coverage of such Security.

(b) Security for taxes, assessments or other governmental charges not yet delinquent or being contested in good faith and by appropriate proceedings; Security in connection with workers' compensation, unemployment insurance or other social security obligations; Security securing the performance of bids, tenders, contracts, surety and appeal bonds; Security to secure progress or partial payments and other Liens of like nature arising in the ordinary course of business; mechanics', workmen's, materialmen's or other like Security arising in the ordinary course of business in respect of obligations which are not yet due or which are being contested in good faith; and other Security arising in the ordinary course of business and incidental to the conduct of the business of the Borrowers or such Subsidiary or to the ownership of its properties or assets, which were not incurred in connection with the borrowing of money and which do not materially detract from the value of the properties or assets of either Borrower or materially affect the use thereof in the operation of its business; and

(c) Security in respect of judgments and awards to the extent that such judgments or awards are being contested in good faith and adequate insurance or appropriate reserves are maintained with respect thereto on the books of the respective Borrower to the extent required by GAAP and so long as execution is not levied thereunder.

(d) Security on property acquired after the date hereof which Security existed when such property was acquired, and extensions and renewals of such Security; provided that no such extension or renewal shall increase the aggregate amount of Financial Indebtedness secured thereby, nor add to the property subject to such Security.

(e) any Security on any asset securing Financial Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring or improving such asset; provided that such Security attaches to such asset concurrently with or within 120 days after the acquisition or completion of improvements thereof;

(f) Zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of property or minor irregularities of title which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business.

(g) Security on the property of any Subsidiary in favor of either Borrower or any Subsidiary

(h) Security in favor of the Bank of Nova Scotia securing Financial Indebtedness not in excess of US\$20,000,000, provided that Security permitted under this clause (h) shall no longer be permitted on or after January 1, 2007;

(i) Security existing pursuant to:

- (i) EXTM pledged equipment loan of US\$4M dated 4 March 2005
- (ii) EXIM pledged equipment loan of US\$4M dated 25 September 2006
- (iii) TMB pledged equipment loan of US\$2M dated 18 July 2003
- (iv) TMB Pinehurst mortgaged land and building loan of US\$6M dated 4 March 2004
- (v) TMB Pinehurst mortgaged new building loan of US\$8M dated 6 June 2005
- (vi) IFC pledged equipment loan of US\$3M dated 22 December 2003

as such loans are presently in effect or as they may be amended with the prior written consent of the Lender;

(j) Other Security incurred by either Borrower in the ordinary course of its business, provided that the aggregate amount of Indebtedness secured by all Security permitted by this clause (j) shall not exceed US\$5,000,000 in the aggregate.

18.9 Debt to Equity Ratio

The Borrowers shall not at any time allow the ratio of their combined aggregate Interest Bearing Debts to their combined aggregate Tangible Net Worth to exceed 1.00 to 1.00.

18.10 Net Debt to EB1TDA Ratio

The Borrowers shall not, at any time allow the ratio of their combined aggregate Net Interest Bearing Debts to EBITDA to exceed 2:00 to 1:00. As used herein, "Net Interest Bearing Debt" shall mean Interest Bearing Debt less cash and Cash Equivalents.

18.11 Initial Drawdown and Perfection of the Bank's Security Interest

Initial drawdown to the extent of US\$10,000,000 can be permitted without registration of charge over eligible receivables. However, the Borrowers shall, within forty five (45) days of the date of this Agreement, take all such steps and file all such statements, instruments, documents or other paper filings or recordings as may be necessary or appropriate in order to create, preserve, perfect or validate any lien or security interest granted by the Assignment and Security Agreement, or to enable the Secured Party to exercise or enforce its rights with respect to such lien or security interest

19. EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 19 is an Event of Default.

19.1 Non-payment

Any Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable.

19.2 Other obligations

(a) Either Borrower defaults in the due performance or observance of Sections 17.4(a), 18.5, 18.8, 18.9 or 18.10 to the extent applicable to such Borrower

- (b) Any Borrower does not comply with any other provision of the Finance Documents (other than those referred to in Clause 19.1 (*Non-payment*) and 19.2(a).
- (c) No Event of Default under paragraph (b) above will occur if, in the opinion of the Lender, the failure to comply is capable of remedy and is remedied to the Lender's satisfaction within thirty (30) Business Days (or such longer period as the Lender may approve) of the Lender giving notice to any Borrower or any Borrower becoming aware of the failure to comply.

19.3 Misrepresentation

Any representation or statement made or deemed to be made by the Borrower in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

19.4 Cross default

- (a) Any Financial Indebtedness of any Borrower is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any Borrower is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any Financial Indebtedness of any Borrower is cancelled or suspended by a creditor of such Borrower as a result of an event of default (however described).
- (d) Any creditor of any Borrower becomes entitled to declare any Financial Indebtedness of such Borrower due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) No Event of Default will occur under this Clause 19.4 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than US\$ 1,000,000 (or its equivalent in any other currency or currencies).

19.5 Insolvency

- (a) Any Borrower is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of any Borrower is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of any Borrower.

19.6 Insolvency proceedings

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Borrower;
- (b) a composition, assignment or arrangement with any creditor of any Borrower;

- (c) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of any Borrower or any of its assets; or
- (d) enforcement of any Security over any assets of any Borrower, or any analogous procedure or step is taken in any jurisdiction.

19.7 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Borrower having an aggregate value of US\$ 1,000,000 and is not discharged within five (5) days.

19.8 Unlawfulness

It is or becomes unlawful for any Borrower to perform any of its obligations under the Finance Documents.

19.9 Repudiation

Any Borrower repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

19.10 Security Documents

Any Security Document or any Security over any asset or right expressed to be secured thereby for any reason:

- (a) ceases to constitute a valid first priority Security in the relevant asset or right; or
- (b) ceases to be in full force and effect; or
- (c) becomes void or unenforceable in whole or in part.

19.11 Material adverse change

Any event or circumstance occurs, including, without limitation, an ERISA Event, which (whether alone or in conjunction with other events or circumstances) the Lender reasonably determines might have a Material Adverse Effect.

19.12 Remedies upon Default

On and at any time after the occurrence of an Event of Default which is continuing the Lender may by notice to the Borrower:

- (a) cancel the Facility whereupon it shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable;
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Lender; and/or
- (d) enforce all or part of the Security Documents.

**SECTION 8
CHANGES TO PARTIES**

20. CHANGES TO THE LENDERS

20.1 Assignments and transfers by the Lenders

The Lender may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,
- (i) (ii) under the Finance Documents to another bank or financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets.

The Borrowers shall execute and do all such transfers, assignments, assurances, acts and things as the Lender may require for perfecting and completing any such assignment of rights or transfer by novation of rights and obligations.

20.2 Disclosure of information

The Lender may disclose to any of its Affiliates, credit bureau or credit agency and any other person:

- (i) to (or through) whom that Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
- (ii) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or the Borrowers; or
- (iii) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about the Borrowers and the Finance Documents as that Lender shall consider appropriate.

20.3 Security Unaffected

The obligations under, and the security created by, the Security Documents shall continue in full force and effect and are not and will not be prejudiced, affected or discharged by the assignment of rights or transfer by novation any of rights and obligations of the existing Lender in favour of the new Lender.

21. CHANGES TO THE BORROWER

The Borrower may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

**SECTION 9
ADMINISTRATION**

22. PAYMENT MECHANICS

22.1 Payment by the Borrower

No later than 10:00 a.m. on each day on which the Borrower is required to make a payment under a Finance Document, the Borrower shall transfer the relevant funds to the account of the Lender via electronic transfer.

22.2 Distributions to the Borrower

The Lender may (with the consent of the Borrower or in accordance with Clause 23 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

22.3 Partial payments

- (a) If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrowers under the Finance Documents, the Lender shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
- (i) **first**, in or towards payment of any unpaid fees, costs and expenses of the Lender under the Finance Documents;
 - (ii) **secondly**, in or towards payment of any accrued interest, fees (other than as provided in (i) above) or commission due but unpaid under this Agreement;
 - (iii) **thirdly**, in or towards payment of any principal due but unpaid under this Agreement; and
 - (iv) **fourthly**, in or towards payment of any other sum due but unpaid under the Finance Documents.
- (b) The Lender may vary the order set out in paragraphs (a)(ii) to (iv) above in its discretion.
- (c) Paragraphs (a) and (b) above will override any appropriation made or instructed by the Borrowers.

22.4 No set-off by the Borrower

All payments to be made by any Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

22.5 Business Days

Unless otherwise specified in this Agreement, any payment which is due to be made on a day that is not a Business Day shall be made on the preceding Business Day. Interest shall be adjusted accordingly.

22.6 Currency of account

- (a) Subject to paragraphs (b) and (c) below, US Dollar is the currency of account and payment for any sum due from the Borrowers under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

(c) Any amount expressed to be payable in a currency other than US Dollar shall be paid in that other currency.

23. SET-OFF

The Lender may set off any obligation due from any Borrower under the Finance Documents against any obligation owed by the Lender to the Borrowers, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

24. NOTICES

24.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

24.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(a) in the case of the Borrower:

The address and facsimile number of the Borrower are:

For Fabrinet

Address: **Fabrinet**
c/o Walkers SPV Limited, PO Box 908GT
Grand Cayman
Cayman Islands

Attention: The Directors
Tel. No.: (345) 945-3727
Fax. No.: (345) 945-4727

And/or

Address: 5/6 Moo 6, Soi Khunpra, Phaloyothin Road,
Klongnueng, Klongluang,
Patumthanee 12120,
Thailand

Attention: Mr. Pornchai Wessatada
Tel. No.: 02-524-9660
Fax. No.: 02-524-9661

For Fabrinet Company Limited

Address: **Fabrinet Company Limited**
5/6 Moo 6, Soi Khunpra, Phaloyothin Road,
Klongnueng, Klongluang,
Patumthanee 12120,
Thailand

Attention: Mr. Pornchai Wessatada
Tel. No.: 02-524-9660
Fax. No.: 02-524-9661

(b) in the case of the Lender:

The address and facsimile number of the Lender are:

Address: **ABN AMRO Bank N.V.**
[SPECIFY]

Attention: Mr. and/or [SPECIFY]

Tel. No.: [SPECIFY]

Fax. No.: [SPECIFY]

or any substitute address and fax number or department or officer as a Party may notify to the other Party by not less than five (5) Business Days' notice.

24.3 Delivery

Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

- (i) if by way of fax, when received in legible form; or
- (ii) if by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 24.2 (*Addresses*), if addressed to that department or officer.

However, a notice given in accordance with the above but received on a non Business Day or after business hours in the place of receipt will only be deemed to be given on the next Business Day.

24.4 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or

- (ii) if not in English, and if so required by the Lender, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

25. CALCULATIONS AND CERTIFICATES

25.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Lender are *prima facie* evidence of the matters to which they relate.

25.2 Certificates and Determinations

Any certification or determination by the Lender of a rate or amount under any Finance Document is, in the absence of manifest error, *prima facie* evidence of the matters to which it relates.

25.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the relevant interbank market differs, in accordance with that market practice.

26. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

27. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

28. AMENDMENTS AND WAIVERS

Any term of the Finance Documents may be amended or waived only with the consent of the Lender and the Borrowers and any such amendment or waiver will be binding on all Parties.

29. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and by the different parties hereto on separate counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

SECTION 10
GOVERNING LAW AND JURISDICTION

30. JURISDICTION

ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THE FINANCE DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE LENDER OR THE BORROWERS SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE LENDER'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE NEW YORK AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY CONSENTS TO PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. EACH BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, EACH BORROWER HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT, ITS NOTE AND EACH OTHER LOAN DOCUMENT.

31. WAIVER OF TRIAL BY JURY

EACH BORROWER AND THE LENDER WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER ANY FINANCE DOCUMENT, AND THE BORROWERS AND THE LENDER AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT A JURY.

32. GOVERNING LAW

This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the internal laws of the State of New York applicable to contracts made and to be performed entirely within such State.

33. NO LIMITATION ON RIGHT OF ACTION

Nothing in this Agreement shall limit the right of the Lender to commence any legal action against any Borrower and/or its assets in any other jurisdiction or to serve process in any manner

permitted by law, and the taking of proceedings in any jurisdiction shall not preclude the Lender from taking proceedings in any other jurisdiction whether concurrently or not.

BORROWERS

SIGNED for and on behalf of
FABRINET

(David T. Mitchell)

SIGNED for and on behalf of
FABRINET COMPANY LIMITED

(David T. Mitchell)

(Seal)

LENDER

SIGNED for and on behalf of
ABN AMRO Bank N.V.

()
Title

()
Title

To: **ABN AMRO Bank N.V.**

Attention: [•]

Dear Sir,

Pursuant to Clause 4.2(b) of the US\$ 35,000,000 Revolving Facility Agreement dated 15 December, 2006, we, Fabrinet, hereby provided the Certification Report confirming (i) details of Eligible Accounts Receivable and (ii) details of our Cash Balance and Total Funded Debts as at [•] as follows:

Details of Accounts Receivable and Eligible Accounts Receivable as at [•]

Customers	Aging of receivables is within (days)	Balance of Eligible Accounts Receivable
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]
Total		[•]

We, Fabrinet, hereby confirm that (i) all of the above information is true and accurate as of the date of this Certification Report, (ii) each aging of receivables is complied with its trade terms specified under the relevant Sale and Purchase Agreement and (iii) all Balance of Eligible Accounts Receivable set out above is not overdue.

Fabrinet

David T. Mitchell

PROMISSORY NOTE

Promissory Note No: _____

Date of Issue: _____

Issued at: _____

Tranche: _____

[NAME OF THE RELEVANT BORROWER]

irrevocably and unconditionally promises to pay the principal sum of US\$ _____

TO the order of

ABN AMRO Bank N.V.

on _____, together with interest thereon computed at the rate of [\bullet] % per annum, at ABN AMRO Bank N.V., at _____.

Presentments for payment, protest, notices of protest, demand and notice of dishonour are hereby waived.

In the event of commencement of suit to enforce payment of this Promissory Note, we agree to pay all collection costs (including attorney's fees).

This Promissory Note is one of the Promissory Notes referred to in that certain US\$ 35,000,000 Facility Agreement (the "Agreement") dated 15 December, 2006, among Fabrinet and Fabrinet Company Limited as co-borrowers, and the ABN AMRO Bank N.V. as Lender. It is subject to acceleration as provided in the Agreement.

This Promissory Note shall be governed by the laws of the State of New York.

For and on behalf of

[NAME OF THE RELEVANT BORROWER]

as issuer

(Authorized Signatory)

From: [Borrower]
To: ABN AMRO Bank N.V.
Attention: [•]

Dated:

Dear Sirs

**Fabrinet and Fabrinet Company Limited – US\$ 35,000,000 Facility Agreement
dated 15 December, 2006 (the “Facility Agreement”)**

1. We refer to the Facility Agreement. This is a Utilisation Request. Terms defined in the Facility Agreement shall have the same meaning in this Utilisation Request.
2. We wish to borrow a Loan on the following terms:
Proposed Utilisation Date: [•]
Amount: [•]
3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
4. Please transfer the proceeds of this Loan by SWIFT to

Bank of America
Swift Code BOFAUS6S
for credit to the undersigned
A/C# 13684-01626

5. This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for
[the Borrower]

To: ABN AMRO Bank N.V.
as Lender

Attention: [•]

From: [The Borrower]

Dated:

**Fabrinet and Fabrinet Company Limited—US\$ 35,000,000 Facility Agreement
dated 15 December, 2006 (the “Facility Agreement”)**

We refer to the Facility Agreement. This is a Receipt. Terms used in the Facility Agreement shall have the same meanings in this Receipt.

We hereby confirm that the following Loan has been duly transferred to our account no [•] in accordance with the Utilisation Request dated [•] and such Loan shall be deemed borrowed and received by us upon the terms and subject to the conditions set out in the Facility Agreement.

- (a) Amount : _____ US Dollars; and
(b) Utilization Dale : _____ 200[•]

authorized signatory for
[the Borrower]

SCHEDULE 5
CONDITIONS PRECEDENT

The following are the documents and evidence referred to in Clause 4 (*Conditions of Utilization*). Documents shall be supplied in such number of copies or counterparts as the Lender may require. Copies required to be certified shall be certified in a manner satisfactory to the Lender by the authorised director of the relevant Borrower or other party concerned, as the case may be. Each of the documents referred to in this Schedule 5 (*Conditions Precedent*) which, in the original, is not in English (except for the corporate documents of Fabrinet Co, which can be in Thai) must be accompanied by English translation and each such translation must be certified as substantially true and correct by a professional translator or by such other person as is reasonably acceptable to the Lender. Each translation must fairly represent the meaning of the original text and must be free of discrepancies and omissions.

1. Corporate Documents

- (a) in relation to Fabrinet Co, certified true copies of:
 - (i) its Memorandum of Association;
 - (ii) its Articles of Associations; and
 - (iii) the list of shareholders;
- (b) in relation to Fabrinet, certified true copies of:
 - (i) its Memorandum of Association;
 - (ii) its Articles of Association;
 - (iii) its Register of Members;
 - (iv) its Register of Directors;
 - (v) its Register of Mortgages & Charges; and
 - (vi) a Certificate of Good Standing.
- (c) certificate issued by the Ministry of Commerce of Thailand as to the following matters in relation to Fabrinet Co, certified by the authorized director of Fabrinet Co that the contents therein are true and correct as at the date of this Agreement and as at the date of certification:
 - (i) the corporate particulars,
 - (ii) the registered address,
 - (iii) the directors,
 - (iv) the authorization of the directors,
 - (v) the registered capital and objectives, and
 - (vi) the seal;
- (d) copies of the Minutes of the Meeting of the Board, or unanimous written resolution, of each Borrower (if any) in the form acceptable to the Lender and certified by the authorized director of each Borrower as being a true, complete and up-to-date copy of resolutions, duly adopted and in full force and effect, and not revoked or amended and having been passed at a meeting of the Board of Directors which was duly convened and held and at which a quorum was present or having been validly passed (as the

case may be), authorizing the entry into and the performance of the Finance Documents to which it is a party and authorizing its authorized director to execute and deliver on its behalf the Finance Documents to which it is a party and all notices, certificates, receipts and other documents required pursuant to or in connection herewith; and

(e) certified specimen signatures of the authorized director of each Borrower.

2. Legal opinion

(a) A legal opinion issued by Maples and Calder, special Cayman Island counsel to the Lender, satisfactory to the Lender as to Cayman Islands law; and

(b) A legal opinion issued by Linklaters, special Thai counsel to the Lender, satisfactory to the Lender as to Thai law

3. Finance Documents

An original of each of the Finance Documents executed by the parties thereto.

4. Security Documents

The Lender shall have received evidence satisfactory to it that all Security Documents (including the Notice of Assignment (as defined in the Assignment and Security Agreement), acknowledgements and consents under each Security Document) shall have been duly executed by the parties thereto and registered (if required by law) and that all requirements thereunder shall have been complied with by all parties thereto, that such Security Documents are in full force and effect, and that the obligations of the Borrowers under the Finance Documents in respect of Tranche II Loans are duly secured thereby.

5. Other documents and evidence

(a) A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Borrowers accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

(b) The Original Financial Statements have been received by the Lender.

(c) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 15 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.

From: [Borrower]

To: ABN AMRO Bank N.V.

Attention: [•]

Dated:

Dear Sirs

**Fabrinet and Fabrinet Company Limited - US\$ 35,000,000 Facility Agreement
dated 15 December, 2006 (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a Rollover Request. Terms defined in the Facility Agreement shall have the same meaning in this Rollover Request.
2. We hereby confirm that, as of the date of this Rollover Request, there is a [SPECIFY Tranche I or Tranche II] Loan outstanding in the amount US\$ [•] which we owe to the Lender in accordance with the Utilisation Request dated [•].
3. We wish to rollover such outstanding Loan on the following terms:
Proposed Utilisation Date: [•]
Amount: [•]
4. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Rollover Request.
5. This Rollover Request is irrevocable.

Yours faithfully

.....
authorised signatory for
[the Borrower]

To: ABN AMRO Bank N.V.

Attention: [•]

Dated:

Dear Sirs

**Fabrinet and Fabrinet Company Limited - US\$ 35,000,000 Facility Agreement
dated 15 December, 2006 (the "Facility Agreement")**

In satisfaction of the requirement of Clause 7.2(d) of the of the Facility Agreement, I hereby certify to you as of the end of the fiscal quarter of [*select Fabrinet or Fabrinet Company Limited*] (the "Borrower") as follows:

1. To the best of my knowledge and belief, after due inquiry, no Default and no Event of Default (as those terms are defined in the Facility Agreement) has occurred and is continuing.

2. The Debt to Equity Ratio of the Borrower, calculated in compliance with Clause 18.9 of the Facility Agreement is:

_____ to _____¹

3. The Net Debt to EBITDA Ratio of the Borrower, calculated in compliance with Clause 18.10 of the Facility Agreement is:

_____ to _____¹

4. [?]

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said corporation this ____ day of _____, 20____.

[Affix
Corporate
Seal
here]

(Signature of Chief Financial Officer)

¹ Calculations supporting this conclusion are attached.

(Translation)

LOAN AGREEMENT

Made at Export-Import Bank of Thailand

Date March 4, 2005

We, **FABRINET CO., LTD.**, by Mr. Soon Kaewchansilp, the authorized representative, having an office located at No. 294 Moo 8, Soi _____, Vibhavadee-Rangsit Road, Kukod Sub-district, Lamlukka District, Pathumthani Province, hereinafter referred to as the "Borrower", is desirous to receive financial support from Export-Import Bank of Thailand, hereinafter referred to as the "Lender", in the form credit in the category of foreign currency loan in the amount of 4,000,000 US Dollars (Four Million United States Dollars only) for purchase of machinery, and the Lender agrees to provide such financial support to the Borrower. The Borrower, therefore, enters into this Agreement as evidence of receipt of such financial support with material contents as follows:

Article 1 Definitions

Except otherwise indicated by the essence of the Agreement, the following terms or expressions shall mean as follows:

- 1.1 "Interest period" shall mean a period commencing on the date of the first drawdown until the date on which full payment of the loan has been made, which shall be divided into a number of consecutive interest periods until the end of such period, subject to the following conditions:
 - a. Each interest period shall be equal to six (6) months;
 - b. First interest period shall commence on the date of the first drawdown and end upon the lapse of the period specified in a;
 - c. Subsequent interest periods shall commence at the end of the preceding interest period and end upon the lapse of the period specified in a.
- 1.2 "Availability period" shall mean the period commencing on the date of execution of this Agreement up to 3 March 2006.
- 1.3 "Interest payment date" shall mean the due date for payment of interest for each interest period, subject to the following conditions:
 - a. First interest payment date shall be the date of completion of one (1) month's period from the date of the first drawdown;
 - b. Subsequent interest payment date shall be the date of completion of one (1) month's period from the preceding interest payment date;

- c. In the case of a drawdown other than the first drawdown, the first payment of the interest thereon shall be made on the interest payment date of the first drawdown which comes immediately after the date of such other drawdown;
 - d. Where any interest payment date falls beyond the loan repayment date of each installment, the interest payment date in respect to such payment shall fall on the loan repayment date of such installment.
- 1.4 “Drawdown date” shall mean the date on which the Borrower draws down the loan from the Lender.
- 1.5 “US Dollar” shall mean the currency of the United States of America.
- 1.6 “Business day” shall mean the day on which commercial banks in Bangkok, London and New York opens for normal business.
- 1.7 “Default rate” shall mean the interest rate charged to a customer in default as determined and announced by the Lender under the Notification of the Ministry of Finance regarding prescription of financial institutions and interest rates chargeable by financial institutions to borrowers, which, at the time of execution hereof, is fourteen point five per cent (14.5%) per annum, but may be changed as determined and announced from time to time by the Lender. Where the Lender determines and announces the change to such interest rate, the Borrower agrees that the Lender may immediately charge such changed interest rate without any requirement for the Lender to provide any other evidence thereof to the Borrower.
- 1.8 “LIBOR” or “London Interbank Offered Rate” shall mean the interest rate calculated according to the LIBOR fixing process prescribed by British Bankers’ Association for London Interbank Market for lending in US Dollar for a period of six (6) months two (2) business days before the commencement of each interest period or any rate as determined by the Lender each time, and when the Lender has determined the LIBOR for any interest period, the LIBOR so determined shall be deemed the LIBOR under this Agreement with respect to such interest period.
- 1.9 “Margin” shall mean an addition to the interest by two point two five per cent (2.25%) per annum and shall include the margin to be changed from time to time by the Lender as the Lender may deem appropriate, to which the Borrower shall agree, and the Borrower agrees that the change may be made instantly without any requirement for the Lender to provide any other evidence thereof to the Borrower.

Article 2 Amount of loan and drawdown request procedure

The Borrower agrees to borrow and the Lender agrees to grant the loan in the amount of 4,000,000 US Dollars (Four Million United States Dollars only).

- The Borrower shall request a one-time drawdown;
- The Borrower shall request drawdowns in installments.

The Borrower acknowledges that it may draw down such loan during the availability period. The Borrower agrees that, after the availability period it shall not be entitled to draw down under this Agreement. In requesting to draw down under this Agreement, the Borrower shall comply with the following terms and conditions:

- 2.1 The Borrower shall have fully done the following to the satisfaction of the Lender:
 - (a) Has provided security as specified in Article 5 in full (except otherwise specifically specified);
 - (b) _____.
- 2.2 In requesting each drawdown, the Borrower shall submit a drawdown request in the form attached hereto as Annex A, which shall be deemed part of this Agreement, together with _____, and other evidences in support of the request for drawdown to the satisfaction of the Lender that the Borrower will utilize the fund granted for the purpose of the loan under this Agreement. Such documents shall be submitted to the Lender no less than five (5) business days prior to the date of drawdown, and such drawdown request shall bind the Borrower to draw down the loan and shall be irrevocable. The Lender may consider allowing the Borrower to draw down the loan in any amount as the Lender may see appropriate.
- 2.3 In requesting each drawdown, the Borrower shall draw down in the amount not less than 500,000 US Dollars (Five Hundred Thousand US Dollars only), except where the Lender sees otherwise.
- 2.4 The Borrower hereby agrees to sell to the Lender each amount of the loan as requested to be drawn down by the Borrower and granted by the Lender, in Baht, using the exchange rate determined by the Lender for buying US Dollar in Baht on the date of drawdown, or any exchange rate as the Lender may deem appropriate. After doing so, the Lender shall give to the Borrower the amount of Baht derived from the sale of the US Dollar, in which case the Borrower agrees to be deemed that the Borrower has drawn down and taken the loan in US Dollar as requested to be drawn down by the Borrower. Notwithstanding the foregoing, if the Borrower wishes to draw down in US Dollar, the Borrower shall first furnish accurate and complete evidence as required by Bank of Thailand or the Government to the Lender, or the Lender must have given consent thereto.
- 2.5 Where any circumstance or any other fact leads the Lender to conclude that the Borrower should not receive the loan under this Agreement, either in whole or in part, for any reason, or because of any other necessity which prevents the Lender from complying with the terms of this Agreement, the Borrower acknowledges that the Lender shall be entitled to withhold the loan in whole or in part, in which case the Borrower shall not contest, and agree that the Lender may deem that the Borrower has lost its entitlement to the loan under this Agreement, as may be deemed appropriate by the Lender. In such case, the Borrower shall accept the judgment of the Lender in

such matter, and it shall not insist that the Lender has caused any damage to the Borrower. The Borrower also waives its right to claim any damages against the Lender and agrees that the Lender shall be entitled to treat the Borrower as provided in Article 9 forthwith.

Article 3 Rate of interest and payment of interest

- 3.1 The Borrower shall pay interest to the Lender as calculated based on the amount of the loan which has been drawn down and remains outstanding from the date of drawdown until the date the full payment has been made at the rate of LIBOR plus the margin per annum. The Borrower shall pay the interest on each interest payment date.
- 3.2 In case the Borrower becomes in breach of any provision of the Agreement, the Borrower agrees that the Lender shall charge interest on the entire outstanding principal amount under this Agreement at the default rate from the date of default or breach until the date on which the Lender has received payment of the debts under this Agreement in full.
- 3.3 The Borrower expressly agrees and acknowledges that if the Borrower fails to pay the interest for a period of no less than one (1) year, for whatever reason, no matter whether the Lender has demanded payment thereof or not, the Lender shall be entitled to compound the unpaid interest with the outstanding principal forthwith. The sum of the principal and the interest so compounded shall become the principal to be repaid by the Borrower and on which interest shall be paid at the default rate to the Lender until the debts have been fully paid, without the requirement for the Lender to notify the Borrower in advance. By compounding such interest with the principal, the Lender shall not be deprived of the rights under Article 9 of this Agreement.

Article 4 Payment of principal and payment schedule

- 4.1 In repaying the principal drawn down by the Borrower under this Agreement, the Borrower agrees to make the payment in installments on a quarterly basis, totaling sixteen (16) installments. The first repayment shall be made on the date of completion of the quarter immediately following the drawdown, and the subsequent repayments shall be made on the due date for each installment payment in the amount as follows:
 - in an equal amount;
 - US\$ _____ (_____);
 - _____.
- Provided that the Borrower shall complete the repayment within 4 years.
- 4.2 The Borrower shall be entitled to prepay the outstanding loan in part or in whole before the schedule specified in Article 4.1, provided that the payment is made on the interest payment date, together with payment of interest on the loan amount due on such interest payment date. The Borrower shall notify the Lender in writing in advance no less than three (3) business days prior to the prepayment date in the form of the prepayment request attached hereto as Annex B and deemed part of this

Agreement, or in other form approved by the Lender, and shall furnish evidence to the satisfaction of the Lender of the source of fund for the prepayment and pay the prepayment fee as specified in Article 10.1.3, except where, in the Lender's view, the fund for the prepayment is derived from normal operation of the Borrower or from the increase of the registered capital of the Borrower. The Borrower agrees that the amount prepaid shall be applied by the Lender to repay the last principal amount and the subsequent amounts in an inverse order.

- 4.3 Where the Lender is unable to secure a loan abroad or unable to grant the loan in US Dollar by operation of law due to any announcement that amends, alters or interprets the law, including orders of government agencies, or for whatever reason, the Borrower shall, upon demand by the Lender, repay the loan together with interest thereon in full, and shall not raise the benefit of time as a defense or as a ground for delaying the payment, and shall not claim any damages from the Lender.

5. Security

As security for performance of obligations under this Agreement, the Borrower shall:

- Procure registration of land mortgage ____ - ____, together with structures thereon in the amount, and under the conditions, method and mortgage agreement form as prescribed by the Lender;
- Procure registration of vessel mortgage ____ - ____, in the amount, and under the conditions, method and mortgage agreement form as prescribed by the Lender promptly as may be practical, but no later than _____, and during such time that it is unable to do as required, the Borrower covenants that it shall not encumber or create any preferential right over such vessel in favor of any person;
- Procure registration of machinery mortgage pursuant to the details in Annex C attached hereto and deemed part hereof, in the amount, and under the conditions, method and mortgage agreement form as prescribed by the Lender promptly as may be practical, but no later than four months from the date of completion of installation of the machinery, and during such time that it is unable to do as required, the Borrower covenants that it shall not encumber or create any preferential right over such machinery in favor of any person;
- Procure the pledge of ____ - ____ to the Lender in the amount, and under the conditions, method and pledge agreement form as prescribed by the Lender;
- Procure that Fabrinet in Cayman Islands provide a guarantee for the Borrower's debts, to the Lender in the amount, and under the conditions, method and guarantee form as prescribed by the Lender;
- Procure ____ - ____ under the conditions, method and agreement form as prescribed by the Lender;
- Procure the confirmation by ____ - ____, who has mortgage/pledged/placed property or done anything in favor of the Lender as security for payment of the Borrower's debts that such security remains to be the security under this Agreement by entering into any juristic acts and/or doing any acts as required by the Lender in all respects;

During the time the Borrower's obligations under this Agreement are outstanding, the Borrower acknowledges that, if the Lender considers that the value of the property provided as security decreases or fails to cover the Borrower's obligations under this Agreement, the Borrower shall proceed to register and/or enter into other mortgage, pledge, guarantee and/or encumbrance agreements over any property or person acceptable by the Lender, in the amount, and under the conditions, method and agreement form as prescribed by the Lender. The Borrower also covenants that it shall not further mortgage, pledge or create any encumbrance over the property provided as security as mentioned above, and shall not create any preferential right or charge over such property, unless the prior written consent from the Lender has been obtained.

6. Borrower's representations

The Borrower represents and warrants the truthfulness of the following statements:

- 6.1 The borrowing, performance, documentation and proceeding or acts of the Borrower provided herein are lawful and in accordance with the objects and rules and regulations of the Borrower, and are not in violation or avoidance of obligations or representations it has with, or given to, other persons.
- 6.2 The borrowing and compliance with the terms and conditions of this Agreement have been duly approved by the Board of Directors of the Borrower, and the other relevant authorities.
- 6.3 This Agreement, other agreements and any documents related to this Agreement, are lawfully valid and enforceable and are binding obligations of the Borrower enforceable under the respective terms hereof or of such documents in all respects.
- 6.4 Presently the Borrower has no case pending in court or government authority, which may affect its financial position and operation.
- 6.5 The Borrower has no obligations or liabilities under which other person shall be entitled to repayment before or over the obligations of the Borrower owed to the Lender under this Agreement, except for preferential rights under law.
- 6.6 The Borrower is not in default or in breach of any agreement or obligations to other persons in a way that affects or is likely to affect the financial position or any operation of the Borrower.
- 6.7 No property of the Borrower is subject to encumbrance, mortgage, pledge, lease, hire-purchase, or retention right, or is subject to liability or condition under which other person shall have the right over such property, in whatever manner and with any person, other than those it has with, or given to, the Lender, or which are in normal course of business of the Borrower.

- 6.8 There is no event, which, if arising or continuing, may have an impact such that the Lender's consideration to grant the loan is changed from the provisions of this Agreement.
- 6.9 Any licenses, certificates, consents, benefits or other documents granted, permitted, consented, or certified by government agency, official, person or juristic person to the Borrower and required to be held by the Borrower or required for operation of the Borrower or related to the entering into or performance of this Agreement, are still valid and enforceable in all respects.
- In addition, the documents relating to the authorization, certification, agreement or any other document of the Borrower relating to the entering into this Agreement or performance of this Agreement and submitted by the Borrower to the Lender, are correct and lawfully enforceable.
- 6.10 The fund granted under this Agreement shall be utilized for the operation of the Borrower's business in accordance with the purpose of the borrowing under this Agreement mentioned above only, and shall not be used for other purposes.
- 6.11 _____.

7. Covenants and other provisions

Throughout the time the Borrower is indebted to the Lender pursuant to this Agreement, the Borrower agrees to comply with the following requirements:

- 7.1 To furnish the balance sheet and profit and loss statement, certified by the auditor approved by the Lender, to the Lender no later than thirty (30) days after certification by the auditor but no later than one hundred and fifty (150) days after the end of the relevant financial period. Such financial statements must be prepared according to the generally accepted accounting principles, and represent the true condition, financial position and performance of the Borrower during such financial period.
- 7.2 To pay all types of taxes and duties, except where the Borrower is entitled to lawfully contest or appeal the tax examination or assessment.
- 7.3 To allow the Lender's representatives to examine the equipment, operation, records, books, accounts or documents of the Borrower during working hours of the Borrower, and to examine the condition of the interior of the building, office, place of business of the Borrower as the Lender may deem appropriate, in which case the Borrower shall accommodate the Lender's representatives in all respects.
- 7.4 To notify the Lender in writing promptly of the litigation or dispute between the Borrower and other persons, regardless of whether the Borrower is a plaintiff or defendant.
- 7.5 To submit documents or information regarding the operation and the financial condition of the Borrower to the Lender as the Lender may deem appropriate.

- 7.6 To procure insurance from an insurance company approved by the Lender in the categories of casualty insurance and all risks insurance for property and/or rights over the property provided as security for the obligations under this Agreement, office building, place of business, machinery, and other property and business of the Borrower with the sum insured and conditions as may be generally procured by an operator of the business of the same category and same size as the Borrower's, naming the Lender as the beneficiary, within thirty (30) days after the execution of this Agreement. In addition, the Borrower allows the Lender to take out insurance for the property and/or any rights over the property provided as security, whether of the similar nature or of any nature as the Lender may deem appropriate, in which case the Borrower agrees to pay the insurance premium and all expenses relating thereto.
- The Borrower shall submit the original insurance policy mentioned in the preceding paragraph to the Lender within thirty (30) days after the date of entering into the contract, and in the case of every amendment, supplement or change to such policy the Borrower shall notify the Lender in advance for approval by the Lender, except where such amendment, supplement or change will increase the benefit for the Lender. The Borrower shall submit such insurance policy and/or other document showing such amendment, supplement or change to the Lender within fifteen (15) days after the date of the amendment, supplement or change to the insurance policy.
- In addition, the Borrower shall effect the renewal of the insurance policy within fifteen (15) days before the expiration of the insurance policy. In case of failure to renew the insurance, the Borrower allows the Lender to exercise its discretion to renew it promptly and it shall be deemed that this Agreement is a power of attorney made by the Borrower authorizing the Lender to do and execute any documents on behalf of the Borrower as required for the renewal of the insurance policy, such as signing an application for insurance, and application for renewal, etc, as well as to obtain documents on behalf of the Borrower. (The Borrower shall not in any way revoke or inhibit the exercise of such rights of the Lender to do as authorized by the power of attorney.) The Borrower agrees to bear all insurance premiums and expenses relating to the taking out and renewal of the insurance, and agrees that the Lender may immediately deduct such insurance premiums and expenses from any money presently owned by the Borrower or owed to the Borrower by the Lender and/or to be owned or owed in the future, and the provisions of Article 10.10 shall apply *mutatis mutandis*.
- 7.7 To notify the Lender promptly upon the occurrence of any event which may result in the Borrower becoming in default under this Agreement.
- 7.8 To refrain from any act which may subordinate the rights of the Lender to those of other creditors or credit providers of the Borrower.
- 7.9 To comply with rules, regulations, conditions and criteria of government agencies, authorities, persons, or juristic persons as required for the lawful operation of business of the Borrower, including obtainment and renewal of licenses, certificates, consents or any documents required for the operation of the Borrower's business.
- 7.10 To refrain from disposal, transfer, lease, pledge, mortgage, creation of encumbrance or subjecting to any liability or condition that will allow other person to have certain

rights over the Borrower's property in any manner in favor of any other person, except in favor of the Lender, or except where the prior written consent of the Lender has been obtained or in case of normal course of business of the Borrower.

- 7.11 Not to grant a loan or credit or guarantee or assume liability or take any responsibility for liability of other person.
- 7.12 Not to reduce its registered capital.
- 7.13 Not to create any obligations or commitments which will cause the total obligations of the Borrower at any time to exceed ____ - ____ (____ - ____), except where the prior written consent of the Lender has been obtained.
- 7.14 To maintain the properties of the Borrower in good working condition.
- 7.15 To do all acts required by the terms of this Agreement, as well as to co-operate as required by the Lender so as to facilitate the steps taken in accordance with this Agreement.
- 7.16 ____ - ____.

Article 8 Events of Default

If any one of the following events occurs, the Borrower allows the Lender to deem that the Borrower has become in default:

- 8.1 The Borrower fails to pay the principal, interest, fee or any money in the amount and/or according to the schedule provided in this Agreement.
- 8.2 Any indebtedness of the Borrower other than those specified in this Agreement is not satisfied when it becomes due, or has to be paid before its due date, or the Borrower's creditor becomes entitled to demand prepayment thereof.
- 8.3 The Borrower fails to perform, or becomes in breach of, any agreement, terms or conditions provided in this Agreement or any agreement or contract binding on the Borrower.
- 8.4 The evidence, writing, representation, warranty or document submitted by the Borrower to the Lender contains any false statement or is forged document or is not legally valid or is incorrect or misleading in material respect, either in whole or in part.
- 8.5 The Borrower ceases to operate the business it is currently operating as of the time of execution of this Agreement, or demonstrates its likelihood to cease its operation or the material part of its business, or the Borrower disposes of its whole business or assets or the materiel part thereof, except for the case of normal course of its business, or the Borrower carries on a business other than that being currently operated.

- 8.6 There is any change or suspension or revocation of any license, certificate, consent or benefit obtained by the Borrower, which will affect the capability of the Borrower in operating the business or the performance of the Borrower under this Agreement.
- 8.7 The Borrower becomes subject to legal proceeding or state order, or there is any other event which causes the change in the Borrower's operation, or causes the power to manage its business or operation to be changed or interrupted, or all or the majority of shares in the Borrower or all or part of the Borrower's assets or income become subject to seizure, attachment, appropriation or become state property.
- 8.8 The Borrower is sued, or there is an occurrence of any other event which, in the Lender's opinion, may cause damage to the operation or financial condition of the Borrower, or may affect the capability of the Borrower in paying its debts.
- 8.9 The Borrower enters into any agreement with its creditors, or the Borrower becomes subject to reorganization, or receivership or becomes insolvent, or its assets are seized or attached by the official, or the Borrower does any act which may lead to the Borrower being subject to reorganization or sued in bankruptcy case, or files a request to enter into reorganization or bankruptcy, or enters into a composition of debt or assignment for the benefit of its creditors, or there is any litigation or request for any order for bankruptcy, dissolution, liquidation, reorganization, restructuring, winding up or other acts.
- 8.10 Other event occurs, which leads the Lender to believe that there is an adverse change to the operation, assets, debts or condition (financial or others) of the Borrower.

9. Result of default

- 9.1 In the event of default under Article 8, the Borrower agrees that the indebtedness of the Borrower under this Agreement, either the principal, interest or any other amount, shall be deemed to become due forthwith, and the Lender shall be entitled to convert the outstanding debts in US Dollar into Baht any time at the final exchange rate determined by the Lender as the selling rate for US Dollar as of the date of such conversion.
- 9.2 If the Lender has no intention to convert the debts forthwith as mentioned in Article 9.1, the Borrower allows the Lender to convert the portion of the debts outstanding into Baht applying the final exchange rate determined by the Lender as the selling rate for US Dollar as of the date of such conversion.
- 9.3 When the Borrower becomes in default, the Borrower agrees to pay interest on the total principal outstanding under this Agreement, either the one outstanding in US Dollar or in Baht as totally converted under Article 9.1 or partially converted under Article 9.2, at the default rate as specified in Article 3.2.
- 9.4 The provisions regarding conversion of the outstanding US Dollar debts into Baht when the Borrower becomes in default as provided in this Article 9 shall not deprive the Lender of the right to convert the outstanding debts in US Dollar into Baht any time as the Lender may deem appropriate.

10 Miscellaneous

10.1 The Borrower agrees to pay to the Lender the fees as follows:

- 10.1.1 Front-end fee, at the rate of zero point seven five per cent (0.75%) of the total amount of the loan under this Agreement payable in one lump sum on the date of execution of this Agreement.
- 10.1.2 Commitment fee, at the rate of ____ - ____ per cent (____ - ____%) per annum of the amount of the loan available to the Borrower but has not been drawn down from the Lender, calculated on a daily basis from the date of execution of this Agreement to the expiration of the availability period or the date the whole amount of the loan is drawn down, or the date the Borrower requests the cancellation of the whole amount of the loan available to the Borrower but not yet drawn down, whichever occurs earlier. (Such fee shall be paid within seven (7) days after the expiration of the availability period, or the date the Borrower draws down the loan in full, or the date the Borrower requests the cancellation of the whole amount of the loan available to the Borrower but not yet drawn down, whichever occurs earlier).
- 10.1.3 Prepayment fee, at the rate of one per cent (1%) of the prepayment amount, payable at the time of prepayment of the principal amount.
- 10.1.4 Cancellation fee, at the rate of one per cent (1%) of the amount of the loan requested by the Borrower to be cancelled under this Agreement, either in whole or in part, provided that a written notice thereof is sent to the Lender no less than five (5) business days in advance, or of the amount not drawn or drawn but not in full, payable on the date of cancellation or the last day of the availability period, as the case may be.

The above-mentioned fees shall be payable in Baht. Therefore, in calculating the above fees, the Borrower must convert the amount of the fees in US Dollar into Baht at the exchange rate determined by the Lender as the selling rate for US Dollar as of the date of payment of such fees.

- 10.2 In the case where this Agreement requires the Borrower to pay any amount in US Dollar, the Borrower agrees to pay such amount in US Dollar as specified.
- 10.3 Acquisition of fund in currencies other than Baht, and/or exchange for foreign currency and remittance for payment abroad to be made through the Lender, shall be solely responsible for by the Borrower, and the Borrower agrees to provide assistance and facilitate the process, and to cooperate and strictly comply with the regulations and law relevant to such matter.
- 10.4 In calculating the interest, availability fee and others which refer to a number of days, months, years or periods, the Borrower agrees to apply the standard for calculation as follows: For calculation regarding US Dollar, one (1) year shall consist of three hundred and sixty (360) days, and for calculation regarding Baht, one (1) year shall consist of three hundred and sixty-five (365) days.

- 10.5 In paying the interest, principal or any amount to the Lender under this Agreement, the Borrower shall deliver such amount to the Lender on a business day, at the office and within working hours of the Lender. If the payment schedule falls on a holiday, the payment shall be made on the next business day.
- 10.6 The Borrower agrees that the payment of any amount to the Lender under this Agreement shall be free from any restriction or condition whatsoever, or any withholding for tax or deduction for expenses as may be chargeable or deducted under the law, order, ministerial regulation, regulation of the government agencies currently in force and/or to become in force in the future. If the Borrower has to withhold such tax or deduct such expense by operation of law, the Borrower agrees to pay additional amount to the Lender so that the amount paid to the Lender after the withholding of such tax or expense shall be equal to the amount of the principal, interest, fee, expense or any money to be paid by the Borrower to the Lender under this Agreement as if there were none of such withholding.
- 10.7 In the case of any promulgation of or amendment to the content or interpretation of the law, order, ministerial regulation, regulation of the government agencies or authorities, including the method for tax collection, the method for calculation and/or rate of taxes, or any event has occurred resulting in a change to the circumstances as of the date of execution of this Agreement in a way that the Lender shall have or may have the burden to pay tax (except for Lender's income tax) in an amount greater than the amount currently existing in relation to the granting of the loan to the Borrower, the Borrower agrees to pay the increased amount of the tax to the Lender as shall be detailed in a written notice from the Lender to the Borrower, in which case the Borrower agrees and acknowledges that the amount to be paid by the Borrower to the Lender according to such written notice, including evidence of tax calculation made by the Lender, shall be deemed to be fully correct and binding on the Borrower.
- 10.8 All stamp duties, fees, taxes, insurance premiums and expenses arising out of the registration of security, mortgage, pledge, guarantee, any arrangement with regard to the security, authorization, insurance, preparation, performance under this Agreement or any other juristic acts and contracts in connection with this Agreement, including service fees for legal counsel and any other expenses and damages arising out of all acts specified in this Agreement, shall be solely borne by the Borrower. In addition, in the case of default by the Borrower under this Agreement, the Borrower agrees to pay all damages as incurred by the Lender due to the default of the Borrower, including the expenses in connection with the warning, claim, demand, litigation, lawyers' fees, fees in connection with legal action, and the judgment execution, enforcement of debts, and enforcement of security or other properties in full in all respects.
- The Borrower agrees to pay the stamp duties, fees, expenses or any amount as mentioned in the preceding paragraph, in one or more amounts, to the government agency or the Lender or the person designated by the Lender (as the case may be) promptly or within the time as notified in writing by the charging government agency or the Lender or the person designated by the Lender. (The Borrower acknowledges that the amount as notified by the Lender or the person designated by the Lender in such written notice shall be deemed correct and shall not be contested by the Borrower.) The Borrower agrees that it shall be under the discretion of the Lender whether to proceed according to Article 10.10 and/or deduct such amount from the

amount requested to be drawn down or payable by the Lender to the Borrower, and/or to allow the Lender to exercise its discretion to advance such amount on behalf of the Borrower with no requirement to notify the Borrower in advance. The Borrower agrees to compensate the amount advanced by the Lender to the Lender in full together with the interest thereon at the default rate from the date of the advance until the Borrower has repaid the Lender in full.

- 10.9 In case the Borrower agrees to have any steps taken by the Lender under this Agreement, the Borrower agrees to treat this Agreement as the power of attorney authorizing the Lender to take such steps.
- 10.10 In the case of default or failure to pay the principals, interests, fees, insurance premiums (if any), expenses, damages or any amount payable by the Borrower under this Agreement to the Lender, the Borrower agrees that the Lender is entitled to exercise its discretion to deduct the amount from any money currently owned by the Borrower, or owed by the Lender to the Borrower, and/or to be owned or owed in the future, to pay such debts to the Lender promptly without a requirement to notify the Borrower.
- 10.11 In the change in the loan currency each time, it shall be deemed by the Borrower and the Lender that it is made for the benefit of the Borrower; the Borrower and the Lender agree that it shall not be deemed as a change in the material nature of the obligation and it shall not be a novation in any manner.
- 10.12 The Borrower agrees to consent for the Lender to assign its rights and/or obligations, responsibilities and/or benefits, including the security, under this Agreement, either in whole or in part, to any person, and/or financial institution as the Lender may see appropriate, provided only that the written notice thereof shall be given to the Borrower. The Borrower also agrees to consent for the Lender to disclose the information of the Borrower to the prospective assignee. However, the Borrower is strictly prohibited from assigning its rights and/or obligations, responsibilities and/or benefits, whether in whole or in part, under this Agreement to any person.
- 10.13 With regard to the property placed with the Lender pursuant to Article 5, the Borrower acknowledges that if such property is kept on the Borrower's premises or on the premises of the Borrower's agent or depositary, or where the Borrower or its agent or depositary keeps such property, it shall be deemed that the property is kept for and on behalf of the Lender, in which case the Borrower or its agent or depositary is merely a depositary. The property shall not be moved for keeping in other place without consent in writing of the Lender. In case of any damage to the property, the Borrower shall be liable to indemnify the Lender in full.
- 10.14 Where a property is mortgaged and/or pledged as security, if the Lender enforces the mortgage and/or pledge and sell such property by public auction, and the net proceeds derived from the sale is not sufficient to pay the debts, or if the Lender forecloses the mortgage and the value of the property is lower than the amount of debts, the Borrower agrees to pay the deficit amount from other properties of the Borrower until full payment has been made.

- 10.15 The Borrower acknowledges that any delay or failure to exercise the rights of the Lender under the law or pursuant to this Agreement shall not be deemed that the Lender has waived its rights or given consent to the breach by the Borrower in such case.
- 10.16 The Borrower acknowledges that any writing, communication, demand, notice or any other document sent to the address specified as the address of the Borrower above, either sent by hand, or by registered mail, or unregistered mail, shall be deemed to have been duly sent to the Borrower, regardless of whether any person has taken its delivery or not, and even if the delivery cannot be made because such address has been changed or removed without written notice from the Borrower to the Lender of such change or removal, or if the delivery cannot be made because the specified address cannot be found, it shall be deemed that the Borrower has duly received and acknowledged such writing, communication, demand, notice or any other document.
- 10.17 Where any provision or part of the Agreement becomes unenforceable, void, voidable or impossible for any reason whatsoever, the Borrower agrees that it shall not affect other provisions or statements of the Agreement, which shall be deemed to remain binding and enforceable indefinitely.
- 10.18 In case of dispute and/or where it is necessary to enforce rights in court in connection with this Agreement, Thai law shall govern.

11 Additional conditions (if any)

The Borrower shall be able to draw down the loan in the amount equal to 90% of the value of the machinery purchased.

The Borrower has thoroughly read and understood the contents of this Agreement, and has signed this Agreement with seal (if any) affixed in the presence of witnesses on the date written above.

Signed _____ -Signature- _____ Borrower
(FABRINET CO., LTD.)

Signed _____ -Signature- _____ Witness
 (Mr. Prompan Kongpolprom)

Signed _____ -Signature- _____ Witness
 (Miss Linda Apinan)

DRAWDOWN REQUEST

Made at _____
Date _____

Re: Drawdown No. _____

To: Export-Import Bank of Thailand

We, _____, refer to the Loan Agreement in the amount of US\$_____ made with Export-Import Bank of Thailand (hereinafter referred to as the "Lender"), dated _____ (hereinafter referred to as the "Loan Agreement"). We would like to draw down the loan from the Lender under the conditions provided in the Loan Agreement as described below.

1. We will draw down the loan on _____,
 - in one-time drawdown in the amount of US\$_____ (_____).
 - in installments, and for installment no. _____ (_____) in the amount of US\$_____ (_____).
2. In making the drawdown under 1 above, we agree to
 - to receive the loan in Baht, by agreeing to sell the US Dollar in the amount drawn down this time to the Lender, and agreeing to allow the Lender to apply the exchange rate as provided in Article 2.4 of the Loan Agreement for the calculation of the amount in Baht.
 - to receive the loan in US Dollar, and the supporting documents as required by the Lender and/or Bank of Thailand are attached.
3. We hereby request the Lender to proceed with regard to the loan drawn under 1 as follows:
 - to issue a check payable to _____, and deliver the check to _____.
 - to issue a check payable to _____ Bank, for payment of debts of _____, and deliver the check to _____.
 - to credit the amount in the name of _____, to account no. _____, at _____ Bank, _____ Office/Branch.

We shall be responsible in all respects for all steps taken by the Lender as requested above. When the Lender has proceeded according to the request above, it shall be deemed that we have received the money in such amount from the Lender in full, and it shall be deemed that the check issued by the Lender or the deposit slip regarding the depositing of money into such account is an evidence of receipt by us of the money under the Loan Agreement.

We also hereby represent that we have fully satisfied the terms and conditions of the Loan Agreement, that we have not become in default or breach, or done anything in violation of the provisions of the Loan Agreement, and that we will utilize the money so received for the purposes specified in the Loan Agreement.

We therefore request your consideration to proceed as requested.

Signed _____ Borrower
()

Signed _____ Witness
()

Signed _____ Witness
()

PREPAYMENT REQUEST

Made at _____
Date _____

Re: Prepayment
To: Export-Import Bank of Thailand

We, _____, refer to the Loan Agreement in the amount of US\$_____ made with Export-Import Bank of Thailand (hereinafter referred to as the "Lender"), dated _____ (hereinafter referred to as the "Loan Agreement"). We would like to prepay the principal of the loan pursuant to the conditions provided in Article 4.2 of the Loan Agreement in the amount of US\$_____ (_____), on _____. The amount used for this prepayment was derived by us from _____, as described in the Attachment hereto.

We agree to pay the prepayment fee pursuant to the conditions provided in Article 4.2 of the Loan Agreement to the Lender in the amount of US\$_____ (_____) on the above-mentioned date of prepayment.

We therefore request your acknowledgement and proceeding pursuant to the terms provided in the Loan Agreement.

Signed _____ Borrower
()

Signed _____ Witness
()

Signed _____ Witness
()

EQUIPMENT LIST

(See Attachment)

Fabrinet Co., Ltd.
Equipment List

Item No.	Description
1	Screen printers
2	Pick and place machines
3	Glue dispenser machines
4	X-Ray machines
5	Reflow ovens
6	Router systems
7	Aqueous cleaning system
8	Inspection system
9	Polarization controller
10	Bonding machines
11	Temperature chambers
12	AR coating chambers
13	Test chamber models
14	Network analyzers
15	Tunable laser sources
16	Optical power meters
17	Polishing machines
18	Splices
19	Optical leak test system
20	Inspection microscopes
21	Automatic inspection machine
22	Optical spectrum analyzer
23	Scanning acoustic microscope
24	Controlled atmosphere glove box

Fabrinet Co., Ltd.
Equipment List

Item No.	Description	Amount (USD)
1	Hitachi Chip Mounting system	400,000.00
2	Hitachi Chip Mounting system	400,000.00
3	GXH-I Option: BGA/CSP application and software CAD conversion software	70,000.00
4	Refurbished HP/Agilent 3075 in-Circuit Tester	90,000.00
5	S25 Siemens Pick and Place m/c s/n#004-12021052	343,755.25
6	AOI m/c with Offline repair station include Software	105,650.34
7	BGA rework station SRT2100RS s/n 0011601257	22,700.00
8	Cyber Optic sentry 2000U-s/n 25065-paste height inspection m/c	6,526.25
9	Pick&Place Placement station siplace S-25HM	180,000.00
10	Automatic inspection machine (1998) s/n#103267/20 model GSI	27,020.63
11	BTU Paragon-98 Re-flow oven with EDGE conveyor s/n#TDI-1	19,416.96
12	Camelot 3800 s/n 3800-1107209-01 Auto epoxy dispenser	19,862.50
13	SRT rework system s/n 00095-01149	28,000.00
14	Saki tabel top PCB inspection s/n#821191 model BF18D-S	37,000.00
15	Triotech 486 Pressurization system tester (Leak BOMB) with retrofit cost	6,950.00
16	AOI Furukawa Welder s/n#YAG19	15,700.46
17	Environment Chamber Z-8-1H/WA-AC COZ s/n#Z00233420	5,403.74
18	Environment Chamber Z-8-1H/WA-AC COZ s/n#Z00233425	5,504.75
19	Midas TM Finber Metalization system	280,000.00
20	F&K 6400 Large Area Wedge Bonder s/n#03737	27,240.00
		<u>2,090,730.88</u>

(Translation)

LOAN AGREEMENT

Made at Export-Import Bank of Thailand

Date September 25, 2006

We, **FABRINET CO., LTD.**, by Mr. Soon Kaewchansilp, the authorized representative, having an office located at No. 294 Moo 8, Vibhavadee-Rangsit Road, Kukod Sub-district, Lamlukka District, Pathumthani Province, hereinafter referred to as the "**Borrower**", are desirous to obtain financial support from Export-Import Bank of Thailand, hereinafter referred to as the "**Lender**", in the form of a credit in the category of foreign currency loan in the amount of 4,000,000 US Dollars (Four Million United States Dollars only) for purchase of machinery, as detailed in Annex C hereto, which shall be part of this Agreement, hereinafter referred to as the "**Machinery**", and the Lender agrees to provide such financial support to the Borrower. The Borrower, therefore, enters into this Agreement as evidence of receipt of such financial support with material contents as follows:

Article 1 Definitions

Except as otherwise indicated by the essence of the Agreement, the following terms or expressions shall mean as follows:

- 1.1 "Interest periods" shall mean a period commencing on the date of the first drawdown up to the date on which full repayment of the loan has been made, which shall be divided into a number of consecutive interest periods until the end of such period, subject to the following conditions:
 - a. Each interest period shall be equal to six (6) months;
 - b. First interest period shall commence on the date of the first drawdown and end upon the lapse of the period specified in a;
 - c. Subsequent interest periods shall commence at the end of the preceding interest period and end upon the lapse of the period specified in a.
- 1.2 "Availability period" shall mean the period commencing on the date of execution of this Agreement until the lapse of a 12-month period.
- 1.3 "Interest payment date" shall mean the last business day of each month starting from the month in which the first drawdown is made.
- 1.4 "Drawdown date" shall mean the date on which the Borrower draws down the loan from the Lender.
- 1.5 "US Dollar" shall mean the currency of the United States of America.

- 1.6 “Business day” shall mean the day on which commercial banks in Bangkok, London and New York open for normal business.
- 1.7 “Default rate” shall mean the interest rate charged to a customer under default as determined and announced by the Lender for each point of time. Currently, the default rate is fourteen point five per cent (14.5%) per annum, but may be changed as determined and announced from time to time by the Lender. Where the Lender determines and announces the change to such interest rate, the Borrower agrees that the Lender may immediately charge such changed rate to the Borrower without any requirement for the Lender to provide any other evidence thereof to the Borrower.
- 1.8 “LIBOR” or “London Interbank Offered Rate” shall mean the interest rate calculated according to the LIBOR fixing process prescribed by British Bankers’ Association for London Interbank Market for lending in US Dollar for a period of six (6) month two (2) business days before the commencement of each interest period or any rate as determined by the Lender each time, and when the Lender has determined the LIBOR for any interest period, the LIBOR so determined shall be deemed the LIBOR under this Agreement with respect to such interest period.
- 1.9 “Margin” shall mean an addition to the interest by two per cent (2%) per annum and shall include the margin to be changed from time to time by the Lender as the Lender may deem appropriate, to which the Borrower shall agree, and the Borrower agrees that the change may be made instantly without any requirement for the Lender to provide any other evidence thereof to the Borrower.

Article 2 Amount of loan and drawdown request procedure

The Borrower agrees to borrow, and the Lender agrees to grant, the loan in the amount of 4,000,000 US Dollars (Four Million United States Dollars only). The Borrower shall request drawdowns in installments and the Lender agrees that the Borrower may draw down such loan during the availability period. The Borrower agrees that it shall not be entitled to draw down the loan under this Agreement after the availability period. In requesting to draw down the loan under this Agreement, the Borrower shall comply with the following terms and conditions:

- 2.1 The Borrower shall have provided security as specified in Article 5 in full and to the satisfaction of the Lender.
- 2.2 In requesting each drawdown, the Borrower shall submit a drawdown request in the form attached hereto as Annex A, which shall be deemed part of this Agreement, together with other evidences in support of the request for drawdown to the satisfaction of the Lender that the Borrower will utilize the fund granted for the purpose of the loan under this Agreement. Such documents shall be submitted to the Lender no less than five (5) business days prior to the date of drawdown, and such drawdown request shall bind the Borrower to draw down the loan and shall be irrevocable.
- 2.3 In requesting each drawdown, the Borrower acknowledges that it is entitled to draw down each time in the amount no more than ninety (90) per cent of the price of the machinery to be paid as shown in the evidence submitted to the Lender at such

request, and the Borrower agrees that each drawdown shall not be less than 500,000 US Dollars (Five Hundred Thousand US Dollars only), except where the Lender deems otherwise. The Borrower acknowledges that whether the loan will be granted or not, or to be granted in any amount, shall be as the Lender may deem appropriate.

2.4 The Borrower hereby agrees to sell to the Lender each amount of the loan as requested to be drawn down by the Borrower and granted by the Lender, in Baht, using the exchange rate determined by the Lender for buying US Dollar in Baht on the date of drawdown, or any exchange rate as the Lender may deem appropriate. After doing so, the Lender shall give to the Borrower the amount of Baht derived from the sale of the US Dollar, in which case the Borrower agrees to be deemed that the Borrower has drawn down and taken the loan in US Dollar as requested to be drawn down by the Borrower.

Notwithstanding the foregoing, if the Borrower wishes to draw down in US Dollar, the Borrower shall first furnish accurate and complete evidence as required by Bank of Thailand or the Government to the Lender, or the Lender must have given consent thereto.

2.5 Where any circumstance or any other fact leads the Lender to conclude that the Borrower should not receive the loan under this Agreement, either in whole or in part, for any reason, or because of any other necessity which prevents the Lender from complying with the terms of this Agreement, the Borrower acknowledges that the Lender shall be entitled to withhold the loan in whole or in part, in which case the Borrower shall not contest, and agrees that the Lender may deem that the Borrower has lost its entitlement to the loan under this Agreement, as may be deemed appropriate by the Lender. In such case, the Borrower shall accept the judgment of the Lender in such matter, and it shall not insist that the Lender has caused any damage to the Borrower. The Borrower also waives its right to claim any damages against the Lender and agrees that the Lender shall be entitled to treat the Borrower as provided in Article 9 forthwith.

Article 3 Rate of interest and payment of interest

3.1 The Borrower shall pay interest to the Lender as calculated based on the amount of the loan which has been drawn down and remains outstanding from the date of drawdown to the date the full payment has been made at the rate of LIBOR plus the margin per annum. The Borrower shall pay the interest on each interest payment date.

3.2 In case the Borrower becomes in breach of any provision of the Agreement, the Borrower agrees that the Lender shall charge interest on the entire outstanding principal amount under this Agreement at the default rate from the date of default or breach until the date on which the Lender has received payment of the debts under this Agreement in full.

3.3 The Borrower expressly agrees and acknowledges that if the Borrower fails to pay the interest for a period of no less than one (1) year, for whatever reason, no matter whether the Lender has demanded payment thereof or not, the Lender shall be entitled to compound the unpaid interest with the outstanding principal forthwith. The sum of the principal and the interest so compounded shall become the principal to be repaid

by the Borrower and on which interest shall be paid at the default rate to the Lender until the debts have been fully paid, without the requirement for the Lender to notify the Borrower in advance. By compounding such interest with the principal, the Lender shall not be deprived of the rights under Article 9 of this Agreement.

Article 4 Payment of principal and payment schedule

- 4.1 In repaying the principal drawn down by the Borrower under this Agreement, the Borrower agrees to make the payment in installments on a quarterly basis, totaling sixteen (16) installments, on the last day of each quarter. The quarters for the payments shall be arranged as follows:
- (a) The first quarter shall commence on the date of the first drawdown under this Agreement (the month in which the first drawdown is made shall be treated as the first month regardless of whether the period is a full month or not) and last until the last business day of the third month from the month in which the first drawdown is made.
 - (b) Each subsequent quarter shall commence on the date following the end of the preceding quarter (if the first day of any quarter is not the first day of the month, the fraction of the month shall not be deemed one (1) month, and such period shall not be regarded as the first month of the quarter, but the first month will commence on the first day of the first subsequent calendar month) and end on the last business day of the third month subsequent thereto.
 - (c) The sixteenth quarter, which is the last quarter, shall end on the last business day of the forty-eighth month after the date of the first drawdown under this Agreement.
- The Borrower agrees and acknowledges that the loan received at each drawdown shall be repaid at each quarter in an equal amount according to the amount received at each drawdown divided by the number of quarters remaining at the time of such drawdown.
- 4.2 The Borrower shall be entitled to prepay the outstanding loan in part or in whole before the schedule specified in Article 4.1, provided that the prepayment is made on the interest payment date together with payment of interest on the loan amount due on such interest payment date. The Borrower shall notify the Lender in writing in advance no less than three (3) business days prior to the prepayment date in the form of the prepayment request attached hereto as Annex B and deemed part of this Agreement, or in other form approved by the Lender, and shall furnish evidence to the satisfaction of the Lender of the source of fund for the prepayment and pay the prepayment fee as specified in Article 10.1.2, except where, in the Lender's view, the fund for the prepayment is derived from normal operation of the Borrower or from the increase of the registered capital of the Borrower. The Borrower agrees that the amount prepaid shall be applied by the Lender to repay the last principal amount and the subsequent amounts in an inverse order.
- 4.3 Where the Lender is unable to secure a loan abroad or unable to grant the loan in US Dollar by operation of law due to any announcement that amends, alters or interprets

the law, including orders of government agencies, or for whatever reason, the Borrower shall, upon demand by the Lender, repay the loan together with interest thereon in full, and shall not raise the benefit of time as a defense or as a ground for delaying the repayment, and shall not claim any damages from the Lender.

5. Security

As security for performance of obligations under this Agreement, the Borrower shall:

- 5.1 Procure that Fabrinet in Cayman Islands provide a guarantee to the Lender in the amount, and under the conditions, method and guarantee form as prescribed by the Lender;
- 5.2 Procure registration of machinery mortgage in the amount, and under the conditions, method and mortgage agreement form as prescribed by the Lender promptly as may be practical, but no later than six (6) months from the date of the last drawdown by the Borrower of the loan under this Agreement.

During the time the Borrower's obligations under this Agreement are outstanding, the Borrower acknowledges that, if the Lender considers that the value of the property provided as security decreases or fails to cover the Borrower's obligations under this Agreement, the Borrower shall proceed to register and/or enter into other mortgage, pledge, guarantee and/or encumbrance agreements over any property or person acceptable by the Lender, in the amount, and under the conditions, method and agreement form as prescribed by the Lender. The Borrower also covenants that it shall not further mortgage, pledge or create any encumbrances over the property provided as security as mentioned above, and shall not create any preferential right or charge over such property, unless the prior written consent from the Lender has been obtained.

6. Borrower's representations

The Borrower represents and warrants the truthfulness of the following statements:

- 6.1 The borrowing, performance, documentation and proceeding or acts of the Borrower provided herein are lawful and in accordance with the objects and rules and regulations of the Borrower, and are not in violation or avoidance of obligations or representations it has with, or given to, other persons.
- 6.2 The borrowing and compliance with the terms and conditions of this Agreement have been duly approved by the Board of Directors of the Borrower, and the other relevant authorities.
- 6.3 This Agreement, other agreements and any documents related to this Agreement are lawfully valid and enforceable and are binding obligations of the Borrower enforceable under the respective terms hereof or of such documents in all respects.
- 6.4 Presently the Borrower has no case pending in court or government authority, which may affect its financial position or operation.

- 6.5 The Borrower has no obligations or liabilities under which other person shall be entitled to repayment before or over the obligations of the Borrower owed to the Lender under this Agreement, except for preferential rights under law.
- 6.6 The Borrower is not in default or in breach of any agreement or obligations to other persons in a way that affects or is likely to affect the financial position or any operation of the Borrower.
- 6.7 No property of the Borrower is subject to encumbrance, mortgage, pledge, lease, hire-purchase, or retention right, or is subject to liability or condition under which other person shall have the right over such property, in whatever manner and with any person, other than those it has with, or given to, the Lender, or which are in normal course of business of the Borrower.
- 6.8 There is no event, which, if arising or continuing, may have an impact such that the Lender's consideration to grant the loan is changed from the provisions of this Agreement.
- 6.9 Any licenses, certificates, consents, benefits or other documents granted, permitted, consented, or certified by a government agency, official, person or juristic person to the Borrower and required to be held by the Borrower or required for operation of the Borrower or related to the entering into or performance of this Agreement, are still valid and enforceable in all respects.
- In addition, the documents relating to the authorization, certification, agreement or any other document of the Borrower relating to the entering into this Agreement or performance of this Agreement and submitted by the Borrower to the Lender, are correct and lawfully enforceable.
- 6.10 The fund granted under this Agreement shall be utilized for the operation of the Borrower's business in accordance with the purpose of the borrowing under this Agreement mentioned above only, and shall not be used for other purposes.

7. Covenants and other provisions

Throughout the time the Borrower is indebted to the Lender pursuant to this Agreement, the Borrower agrees to comply with the following requirements:

- 7.1 To furnish the balance sheet and profit and loss statement, certified by the auditor approved by the Lender, to the Lender no later than thirty (30) days after certification by the auditor but no later than one hundred and fifty (150) days after the end of the relevant financial period. Such financial statements must be prepared according to the generally accepted accounting principles, and represent the true condition, financial position and performance of the Borrower during such financial period.
- 7.2 To pay all types of taxes and duties, except where the Borrower is entitled to lawfully contest or appeal the tax examination or assessment.
- 7.3 To allow the Lender's representatives to examine the equipment, operation, records, books, accounts or documents of the Borrower during working hours of the Borrower,

and to examine the condition of the interior of the building, office, place of business of the Borrower as the Lender may deem appropriate, in which case the Borrower shall accommodate the Lender's representatives in all respects.

7.4 To notify the Lender in writing promptly of the litigation or dispute between the Borrower and/or the guarantor and other persons, regardless of whether the Borrower is a plaintiff or defendant.

7.5 To submit documents or information regarding the operation and the financial condition of the Borrower to the Lender as the Lender may deem appropriate.

7.6 To procure insurance from an insurance company approved by the Lender in the categories of casualty insurance and all risks insurance for property and/or rights over the property provided as security for the obligations under this Agreement, office building, place of business, machinery, and other property and business of the Borrower with the sum insured and conditions as may be generally procured by an operator of the business of the same category and same size as the Borrower's, naming the Lender as the beneficiary, within thirty (30) days after the execution of this Agreement. In addition, the Borrower allows the Lender to take out insurance for the property and/or any rights over the property provided as security, whether of the similar nature or of any nature as the Lender may deem appropriate, in which case the Borrower agrees to pay the insurance premium and all expenses relating thereto.

The Borrower shall submit the original insurance policy mentioned in the preceding paragraph to the Lender within thirty (30) days after the date of entering into the contract, and in the case of every amendment, supplement or change to such policy the Borrower shall notify the Lender in advance for approval by the Lender, except where such amendment, supplement or change will increase the benefit for the Lender. The Borrower shall submit such insurance policy and/or other document showing such amendment, supplement or change to the Lender within fifteen (15) days after the date of the amendment, supplement or change to the insurance policy.

In addition, the Borrower shall effect the renewal of the insurance policy within fifteen (15) days before the expiration of the insurance policy. In case of failure to renew the insurance, the Borrower allows the Lender to exercise its discretion to renew it promptly and it shall be deemed that this Agreement is a power of attorney made by the Borrower authorizing the Lender to do and execute any documents on behalf of the Borrower as required for the renewal of the insurance policy, such as signing an application for insurance, and application for renewal, etc, as well as to obtain documents on behalf of the Borrower. (The Borrower shall not in any way revoke or inhibit the exercise of such rights of the Lender to do as authorized by the power of attorney.) The Borrower agrees to bear all insurance premiums and expenses relating to the taking out and renewal of the insurance, and agrees that the Lender may immediately deduct such insurance premiums and expenses from any money presently owned by the Borrower or owed to the Borrower by the Lender and/or to be owned or owed in the future, and the provisions of Article 10.10 shall apply *mutatis mutandis*.

7.7 To notify the Lender promptly upon the occurrence of any event which may result in the Borrower becoming in default under this Agreement.

- 7.8 To refrain from any act which may subordinate the rights of the Lender to those of other creditors or credit providers of the Borrower.
- 7.9 To comply with rules, regulations, conditions and criteria of government agencies, authorities, persons, or juristic persons as required for the lawful operation of business of the Borrower, including obtainment and renewal of licenses, certificates, consents or any documents required for the operation of the Borrower's business.
- 7.10 To refrain from disposal, transfer, lease, pledge, mortgage, creation of encumbrance or subjecting to any liability or condition that will allow other person to have certain rights over the Borrower's property in any manner in favor of any other person, except in favor of the Lender, or except where the prior written consent of the Lender has been obtained or in case of normal course of business of the Borrower.
- 7.11 Not to grant a loan or credit or guarantee or assume liability or take any responsibility for liability of other person.
- 7.12 Not to reduce its registered capital.
- 7.13 Not to create any obligations or commitments which will cause the total obligations of the Borrower at any time to exceed _____ (_____), except where the prior written consent of the Lender has been obtained.
- 7.14 To maintain the properties of the Borrower in good working condition.
- 7.15 To do all acts required by the terms of this Agreement, as well as to co-operate as required by the Lender so as to facilitate the steps taken in accordance with this Agreement.

Article 8 Events of Default

If any one of the following events occurs, the Borrower allows the Lender to deem that the Borrower has become in default:

- 8.1 The Borrower fails to pay the principal, interest, fee or any money in the amount and/or according to the schedule provided in this Agreement.
- 8.2 Any indebtedness of the Borrower other than those specified in this Agreement and/or any indebtedness of the guarantor is not satisfied when it becomes due, or has to be paid before its due date, or the Borrower's creditor becomes entitled to demand prepayment thereof.
- 8.3 The Borrower fails to perform, or becomes in breach of, any agreement, terms or conditions provided in this Agreement or any agreement or contract binding on the Borrower.
- 8.4 The evidence, writing, representation, warranty or document submitted by the Borrower and/or the guarantor to the Lender contains any false statement or is forged document or is not legally valid or is incorrect or misleading in material respect, either in whole or in part.

- 8.5 The Borrower ceases to operate the business it is currently operating as of the time of execution of this Agreement, or demonstrates its likelihood to cease its operation or the material part of its business, or the Borrower disposes of its whole business or assets or the material part thereof, except for the case of normal course of its business, or the Borrower carries on a business other than that being currently operated.
- 8.6 There is any change or suspension or revocation of any license, certificate, consent or benefit obtained by the Borrower, which will affect the capability of the Borrower in operating the business or the performance of the Borrower under this Agreement.
- 8.7 The Borrower and/or the guarantor becomes subject to legal proceedings or state order or there is any other event which causes the change in the Borrower's operation, or causes the power to manage its business or operation to be changed or interrupted, or all or the majority of shares in the Borrower or all or part of the Borrower's assets or income become subject to seizure, attachment, appropriation or become state property.
- 8.8 The Borrower and/or the guarantor is sued, or there is an occurrence of any other event, which, in the Lender's opinion, may cause damage to the operation or financial condition of the Borrower, or may affect the capability of the Borrower in paying its debts.
- 8.9 The Borrower and/or the guarantor enters into any agreement with its creditors, or the Borrower becomes subject to reorganization, or receivership or becomes insolvent, or its assets are seized or attached by the official, or the Borrower does any act which may lead to the Borrower being subject to reorganization or sued in bankruptcy case, or files a request to enter into reorganization or bankruptcy, or enters into a composition of debt or assignment for the benefit of its creditors, or there is any litigation or request for any order for bankruptcy, dissolution, liquidation, reorganization, restructuring, winding up or other acts.
- 8.10 Other event occurs, which leads the Lender to believe that there is an adverse change to the operation, assets, debts or condition (financial or others) of the Borrower.

9. Result of default

- 9.1 In the event of default under Article 8, the Borrower agrees that the indebtedness of the Borrower under this Agreement, either the principal, interest or any other amount, shall be deemed to become due forthwith, and the Lender shall be entitled to convert the outstanding debts in US Dollar into Baht any time at the final exchange rate determined by the Lender as the selling rate for US Dollar as of the date of such conversion.
- 9.2 If the Lender has no intention to convert the debts forthwith as mentioned in Article 9.1, the Borrower allows the Lender to convert the portion of the debts outstanding into Baht applying the final exchange rate determined by the Lender as the selling rate for US Dollar as of the date of such conversion.

- 9.3 When the Borrower becomes in default, the Borrower agrees to pay interest on the total principal outstanding under this Agreement, either the one outstanding in US Dollar or in Baht as totally converted under Article 9.1 or partially converted under Article 9.2, at the default rate as specified in Article 3.2.
- 9.4 The provisions regarding conversion of the outstanding US Dollar debts into Baht when the Borrower becomes in default as provided in this Article 9 shall not deprive the Lender of the right to convert the outstanding debts in US Dollar into Baht any time as the Lender may deem appropriate.

10 Miscellaneous

- 10.1 The Borrower agrees to pay to the Lender the fees as follows:
- 10.1.1 Front-end fee, at the rate of zero point seven five per cent (0.75%) of the total amount of the loan under this Agreement, payable in one lump sum on the date of execution of this Agreement.
 - 10.1.2 Prepayment fee, at the rate of one per cent (1%) of the prepayment amount, payable at the time of prepayment of the principal amount.
 - 10.1.3 Cancellation fee, at the rate of one per cent (1%) of the amount of the loan requested by the Borrower to be cancelled under this Agreement, either in whole or in part, provided that a written notice thereof is sent to the Lender no less than five (5) business days in advance, or of the amount not drawn or drawn but not in full, payable on the date of the cancellation or the last day of the availability period, as the case may be.
- The above-mentioned fees shall be payable in Baht. Therefore, in calculating the above fees, the Borrower must convert the amount of the fees in US Dollar into Baht at the exchange rate determined by the Lender as the selling rate for US Dollar as of the date of payment of such fees.
- 10.2 In the case where this Agreement requires the Borrower to pay any amount in US Dollar, the Borrower agrees to pay such amount in US Dollar as specified.
- 10.3 Acquisition of fund in currencies other than Baht, and/or exchange for foreign currency and remittance for payment abroad to be made through the Lender, shall be solely responsible for by the Borrower, and the Borrower agrees to provide assistance and facilitate the process, and to cooperate and strictly comply with the regulations and law relevant to such matter.
- 10.4 In calculating the interest, availability fee and others which refer to a number of days, months, years or periods, the Borrower agrees to apply the standard for calculation as follows: For calculation regarding US Dollar, one (1) year shall consist of three hundred and sixty (360) days, and for calculation regarding Baht, one (1) year shall consist of three hundred and sixty-five (365) days.

- 10.5 In paying the interest, principal or any amount to the Lender under this Agreement, the Borrower shall deliver such amount to the Lender on a business day, at the office and within working hours of the Lender. If the payment schedule falls on a holiday, the payment shall be made on the next business day.
- 10.6 The Borrower agrees that the payment of any amount to the Lender under this Agreement shall be free from any restriction or condition whatsoever, or any withholding for tax or deduction for expenses as may be chargeable or deducted under the law, order, ministerial regulation, regulation of the government agencies currently in force and/or to become in force in the future. If the Borrower has to withhold such tax or deduct such expense by operation of law, the Borrower agrees to pay additional amount to the Lender so that the amount paid to the Lender after the withholding of such tax or expense shall be equal to the amount of the principal, interest, fee, expense or any money to be paid by the Borrower to the Lender under this Agreement as if there were none of such withholding.
- 10.7 In the case of any promulgation of or amendment to the content or interpretation of the law, order, ministerial regulation, regulation of the government agencies or authorities, including the method for tax collection, the method for calculation and/or rate of taxes, or any event has occurred resulting in a change to the circumstances as of the date of execution of this Agreement in a way that the Lender shall have or may have the burden to pay tax (except for Lender's income tax) in an amount greater than the amount currently existing in relation to the granting of the loan to the Borrower, the Borrower agrees to pay the increased amount of the tax to the Lender as shall be detailed in a written notice from the Lender to the Borrower, in which case the Borrower agrees and acknowledges that the amount to be paid by the Borrower to the Lender according to such written notice, including evidence of tax calculation made by the Lender, shall be deemed to be fully correct and binding on the Borrower.
- 10.8 All stamp duties, fees, taxes, insurance premiums and expenses arising out of the registration of security, mortgage, pledge, guarantee, any arrangement with regard to the security, authorization, insurance, preparation, performance under this Agreement or any other juristic acts and contracts in connection with this Agreement, including service fees for legal counsel and any other expenses and damages arising out of all acts specified in this Agreement, shall be solely borne by the Borrower. In addition, in the case of default by the Borrower under this Agreement, the Borrower agrees to pay all damages as incurred by the Lender due to the default of the Borrower, including the expenses in connection with the warning, claim, demand, litigation, lawyers' fees, fees in connection with legal action, and the judgment execution, enforcement of debts, and enforcement of security or other properties in full in all respects.
- The Borrower agrees to pay the stamp duties, fees, expenses or any amount as mentioned in the preceding paragraph, in one or more amounts, to the government agency or the Lender or the person designated by the Lender (as the case may be) promptly or within the time as notified in writing by the charging government agency or the Lender or the person designated by the Lender. (The Borrower acknowledges that the amount as notified by the Lender or the person designated by the Lender in such written notice shall be deemed correct and shall not be contested by the Borrower.) The Borrower agrees that it shall be under the discretion of the Lender whether to proceed according to Article 10.10 and/or deduct such amount from the

amount requested to be drawn down or payable by the Lender to the Borrower, and/or to allow the Lender to exercise its discretion to advance such amount on behalf of the Borrower with no requirement to notify the Borrower in advance. The Borrower agrees to compensate the amount advanced by the Lender to the Lender in full together with the interest thereon at the default rate from the date of the advance until the Borrower has repaid the Lender in full.

- 10.9 In case the Borrower agrees to have any steps taken by the Lender under this Agreement, the Borrower agrees to treat this Agreement as the power of attorney authorizing the Lender to take such steps.
- 10.10 In the case of default or failure to pay the principals, interests, fees, insurance premiums (if any), expenses, damages or any amount payable by the Borrower under this Agreement to the Lender, the Borrower agrees that the Lender is entitled to exercise its discretion to deduct the amount from any money currently owned by the Borrower or owed by the Lender to the Borrower, and/or to be owned or owed in the future, to pay such debts to the Lender promptly without a requirement to notify the Borrower.
- 10.11 In the change in the loan currency each time, it shall be deemed by the Borrower and the Lender that it is made for the benefit of the Borrower; the Borrower and the Lender agree that it shall not be deemed as a change in the material nature of the obligation and it shall not be a novation in any manner.
- 10.12 The Borrower agrees to consent for the Lender to assign its rights and/or obligations, responsibilities and/or benefits, including the security, under this Agreement, either in whole or in part, to any person, and/or financial institution as the Lender may see appropriate, provided only that the written notice thereof shall be given to the Borrower. The Borrower also agrees to consent for the Lender to disclose the information of the Borrower to the prospective assignee. However, the Borrower is strictly prohibited from assigning its rights and/or obligations, responsibilities and/or benefits, whether in whole or in part, under this Agreement to any person.
- 10.13 With regard to the property placed with the Lender pursuant to Article 5, the Borrower acknowledges that if such property is kept on the Borrower's premises or on the premises of the Borrower's agent or depositary, or where the Borrower or its agent or depositary keeps such property, it shall be deemed that the property is kept for and on behalf of the Lender, in which case the Borrower or its agent or depositary is merely a depositary. The property shall not be moved for keeping in other place without consent in writing of the Lender. In case of any damage to the property, the Borrower shall be liable to indemnify the Lender in full.
- 10.14 Where a property is mortgaged and/or pledged as security, if the Lender enforces the mortgage and/or pledge and sell such property by public auction, and the net proceeds derived from the sale is not sufficient to pay the debts, or if the Lender forecloses the mortgage and the value of the property is lower than the amount of debts, the Borrower agrees to pay the deficit amount from other properties of the Borrower until full payment has been made.

- 10.15 The Borrower acknowledges that any delay or failure to exercise the rights of the Lender under the law or pursuant to this Agreement shall not be deemed that the Lender has waived its rights or given consent to the breach by the Borrower in such case.
- 10.16 The Borrower acknowledges that any writing, communication, demand, notice or any other document sent to the address specified as the address of the Borrower above, either sent by hand, or by registered mail, or unregistered mail, shall be deemed to have been duly sent to the Borrower, regardless of whether any person has taken its delivery or not, and even if the delivery cannot be made because such address has been changed or removed without written notice from the Borrower to the Lender of such change or removal, or if the delivery cannot be made because the specified address cannot be found, it shall be deemed that the Borrower has duly received and acknowledged such writing, communication, demand, notice or any other document.
- 10.17 Where any provision or part of the Agreement becomes unenforceable, void, voidable or impossible for any reason whatsoever, the Borrower agrees that it shall not affect other provisions or statements of the Agreement, which shall be deemed to remain binding and enforceable indefinitely.
- 10.18 In case of dispute and/or where it is necessary to enforce rights in court in connection with the provisions of this Agreement, Thai law shall govern.

The Borrower has thoroughly read and understood the contents of this Agreement, and has signed this Agreement with seal (if any) affixed in the presence of witnesses on the date written above.

FABRINET CO., LTD.

Signed _____ -Signature- _____ Borrower
 (_____)

Signed _____ -Signature- _____ Witness
 (Somawadee Supradit)

Signed _____ -Signature- _____ Witness
 (Miss Linda Apinan)

DRAWDOWN REQUEST

Made at _____

Date _____

Re: Drawdown No. _____

To: Export-Import Bank of Thailand

We, Fabrinet Co., Ltd., refer to the Loan Agreement in the amount of US\$4,000,000 (Four Million United States Dollars only) made with Export-Import Bank of Thailand (hereinafter referred to as the "Lender"), dated _____ (hereinafter referred to as the "Loan Agreement"). We would like to draw down the loan from the Lender under the conditions provided in the Loan Agreement as described below.

1. We will draw down the loan on _____, in installments, and for installment no. __ (___), in the amount of US\$ _____ (_____).
2. In making the drawdown under 1 above, we agree:
 - to receive the loan in Baht, by agreeing to sell the US Dollar in the amount drawn down this time to the Lender, and agreeing to allow the Lender to apply the exchange rate as provided in Article 2.4 of the Loan Agreement for the calculation of the amount in Baht.
 - to receive the loan in US Dollar, and the supporting documents as required by the Lender and/or Bank of Thailand are attached.
3. We hereby request the Lender to proceed with regard to the loan drawn under 1 as follows:
 - to issue a check payable to _____, and deliver the check to _____.
 - to issue a check payable to _____ Bank, for payment of debts of _____, and deliver the check to _____.
 - to credit the amount in the name of _____, to account no. _____, at _____ Bank, _____ Office/Branch.

We shall be responsible in all respects for all steps taken by the Lender as requested above. When the Lender has proceeded according to the request above, it shall be deemed that we have received the money in such amount from the Lender in full, and it shall be deemed that the check issued by the Lender or the deposit slip regarding the depositing of money into such account is an evidence of receipt by us of the money under the Loan Agreement.

We also hereby represent that we have fully satisfied the terms and conditions of the Loan Agreement, that we have not become in default or breach, or done anything in violation of the provisions of the Loan Agreement, and that we will utilize the money so received for the purposes specified in the Loan Agreement.

We therefore request your consideration to proceed as requested.

FABRINET CO., LTD.

Signed _____ Borrower
()

Signed _____ Witness
()

Signed _____ Witness
()

PREPAYMENT REQUEST

Made at _____

Date _____

Re: Prepayment

To: Export-Import Bank of Thailand

We, Fabrinet Co., Ltd., refer to the Loan Agreement in the amount of US\$4,000,000 (Four Million United States Dollars only) made with Export-Import Bank of Thailand (hereinafter referred to as the "Lender"), dated _____ (hereinafter referred to as the "Loan Agreement"). We would like to prepay the principal of the loan pursuant to the conditions provided in Article 4.2 of the Loan Agreement in the amount of US\$_____ (_____), on _____. The amount used for this prepayment was derived by us from _____, as described in the Attachment hereto.

We agree to pay the prepayment fee pursuant to the conditions provided in Article 4.2 of the Loan Agreement, to the Lender in the amount of US\$_____ (_____) on the above-mentioned date of prepayment.

We therefore request your acknowledgement and proceeding pursuant to the terms provided in the Loan Agreement.

FABRINET CO., LTD.

Signed _____ Borrower
(_____)

Signed _____ Witness
(_____)

Signed _____ Witness
(_____)

EQUIPMENT LIST

(See Attachment)

Fabrinet Co., Ltd.
Equipment List

<u>Item No.</u>	<u>Machine Name</u>
1	AR coater
2	Loss Meter
3	Tunable laser sources
4	Die Bonders
5	Laser Welder
6	Leak Tester
7	Plasma Cleaner
8	Test for Laser
9	Wire Bonder
10	Reflow Oven
11	Router systems
12	Screen Printer
13	Under fill
14	Pick and place machines
15	Glue dispenser machines
16	Automatic inspection machine
17	Auto Insertion
18	Inspection system
19	Inspection microscopes
20	Temperature chambers

**Memorandum regarding
Informing, Waiving, and Amending
Loan Conditions and Covenants
Between Fabrinet Co., Ltd. and Export-Import Bank of Thailand
24 September 2007**

1. Matters to be informed

In order to comply with covenants in the Loan Agreements regarding notice of any material change, Fabrinet would like to inform that we have the following events/circumstances/changes occurred or will occur in the near future:

1.1 Fabrinet has planned listing in the U.S. stock exchange market**1.2 Reissuing of new set of financial statements due to planned listing**

In conjunction with the planned listing and the preparation of the year end financial statements; the company will provide you a set of financial statements for the year ended June 30, 2007, 2006 and 2005 that meet the PCAOB and SEC rules and regulations (not previously required as we were a privately held company).

1.3 Director resigned

Fabrinet (Cayman Islands)'s director, Debora Shoquist, was resigned on 30 August 2007.

2. Waivers

There are some covenants or conditions which are affected from such event/circumstances or we breached or did not comply with them. In any case, we would ask for waiver, confirm that the bank will not accelerate the payment of the outstanding balance for the following fiscal year ended June 30, 2008, and the company will continue to make the originally scheduled principal and interest payments. They are as follows:

2.1 Waiver of certain breach of covenant**2.1.1 Mortgage Property to TMB Bank**

Clause 7.10 Borrower will not transfer, lend or pledge assets to other entities that will give those the rights over the assets of the borrower, except for doing such action to the Lender or obtain consent letter in advance from the Lender or it is in normal course of business of the Borrower.

Since Fabrinet entered into the Loan Agreement dated 4 April 2007 with TMB Bank Public Company Limited for construction of Building 5 and mortgaged such building and land as collateral, we would like to seek the written consent from EXIM Bank.

Request by Fabrinet Co., Ltd.

Signature: _____
Name: Soon Kaewchansilp, Director

Export-Import Bank of Thailand agrees and consents to amend as requested.

Signature: _____
Name:

Date: 12 October 2007

Dear Managing Director
Fabrinet Co., Ltd.

Re: Consent Letter

With reference to Fabrinet Co., Ltd.'s *Memorandum regarding Informing, Waiving and Amending Loan Conditions and Covenants Between Fabrinet Co., Ltd. and Export-Import Bank of Thailand dated 24 September 2007*, now Export-Import Bank of Thailand acknowledges and consents as per item 2.1 of such Memorandum.

For your acknowledgement.

Best Regards,

Chana Boonyachai

First Vice President - Business Promotion

(Translation)

TMB Bank Public Company Limited

[] Head office
 [/] Simummuang Market-
 Rangsit Branch

Loan Agreement

Agreement No. _____

Date: March 4, 2004

We, Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lamlukka, Pathumthani province, registration No. __ and/or

We, FABRINET, with office located at Walker House, P.O. Box 265 GT George Town Road, Grand Cayman, Cayman Islands, British West Indies, registration No. __, hereinafter referred to as the "Borrower", hereby enter into this Agreement with TMB Bank Public Company Limited, hereinafter referred to as the "Lender", as follows:

1. Definitions

"SIBOR" means the interest rate per annum offered for loans in US\$ for the period equal to the interest period, printed or reported by Reuter through Reuters Screen that displays the SIBOR, or by other equivalent service (the "Screen") at 11.00 a.m. (Singapore time) of 2 business days immediately preceding the commencement date of the relevant interest period, provided that

- (a) Where there are more than 2 said interest rates on the Screen, the rate per annum determined by the Bank as the maximum rate offered for loans in US\$ in the interbank market in Singapore for the period equal to such interest period at 11.00 a.m. (Singapore time) on the said date shall be charged, or
- (b) Where it is unable to determine the said offered interest rate from the Screen, the average of the interest rates offered for lending in US\$ in the interbank market in Singapore for the period equal to such interest period at 11.00 a.m. (Singapore time) on the said date of the Development Bank of Singapore, Citibank, N.A. and Bank of Tokyo-Mitsubishi, Singapore branch, obtained by any means by the Bank from the said three banks shall be charged.

"MLR (Minimum Loan Rate)" means the interest rate charged by the Lender to its prime major customers obtaining term loans, which, at the time of execution hereof, is announced by the Lender at the rate of 6.00% per annum.

“Default rate” means the maximum interest rate announced and charged by the Lender to a defaulting or breaching debtor, which, at the time of execution hereof, is announced by the Lender at the rate of 13.00% per annum.

“Margin” means the margin used by the Lender to add to or subtract from the interest rate charged hereunder.

2. The Borrower agrees to borrow from the Lender in the amount of US\$ 6,000,000 (six million), and the Borrower has received the loan from the Lender properly and completely on the date hereof.

3. Interest rate

The Borrower agrees to pay interest on the principal of the loan hereunder to the Lender at the rate equal to the SIBOR (for 6 months) [/] plus [] minus the margin of 1.50% per annum.

Where the law or the notification of the Bank of Thailand prescribes a change in interest rate and discount or margin for extending credits by commercial banks, or where the Lender changes the SIBOR used as a reference for the interest rate hereunder, the Borrower agrees that the Lender may change the SIBOR as provided herein immediately as the Lender deems appropriate, without prior consent from the Borrower or notice or any further evidence to be provided to the Borrower.

4. The Borrower agrees to repay the loan and interest under Clauses 2 and 3 to the Lender at the place and during office hours of the Lender as follows:

4.1 The Borrower agrees to pay interest at each interval of 6 months, on the last day of every month.

4.2 The Borrower agrees to repay the principal to the Lender completely within 7 years from the date hereof, with a grace period of repayment of principal of 1 year (from March 2004 until February 2005). Upon completion of the said 1-year period, the Borrower agrees to repay the principal to the Lender at each interval of 6 months on the last day of August and February, in the amount of US\$ 500,000 (five hundred thousand) for each installment.

If the scheduled date of repayment falls on the Lender’s holiday, the repayment shall be made on the immediately following business day. In addition, the Borrower agrees that, if after the date hereof, the amount to be paid in installment has changed due to the adjustment of interest rate under Clause 3 or for any reasons as may be deemed appropriate by the Lender, the Borrower agrees to pay the amount so changed provided that the Lender merely notifies the Borrower of the same, and the Borrower shall not raise any objections whatsoever.

5. Under any one of the following circumstances, the Borrower shall be deemed to be in default and breach hereof:

5.1 The Borrower is in default of payment of principal, interest or any amount and whether in any installment as provided herein.

5.2 The Borrower fails to comply with the Agreement, or is in breach of any provisions as provided herein.

5.3 Any evidence, writing, representation or document delivered by the Borrower to the Lender relating to the credit facility contains any false statement or is a false document, or is not legally effective.

5.4 The Borrower is sued, subject to execution of judgment, or there is any other event which the Lender considers that it may cause damage to the Borrower's operation or financial condition.

5.5 The Borrower is insolvent or is sued in a bankruptcy case, or is placed under receivership, or its assets are seized or attached by the official.

5.6 The value or reliability of any security provided by the Borrower to the Lender has decreased for any reasons, and after the Lender has given notice to the Borrower requiring placement of additional security, whose value is not less than the original security's, the Borrower fails or is unable to do so.

Where the Borrower is in default or breach as aforesaid, the Borrower shall be deemed to be in default of payment of the entire loan hereunder, and the entire debt shall become immediately due and payable. The Lender shall be entitled to enforce the debt immediately, and the Borrower agrees to immediately pay debt hereunder in full together with its interest and accessories, as well as any other debts or amounts payable by the Borrower to the Lender hereunder, and agrees to pay interest at the default rate from the date of default until complete payment is made, and agrees to pay other damages arising from the default, breach, expenses incurred in the claim, demand, lawsuit, legal fees, court fees and compensation.

Where the law, notification of the Bank of Thailand, or the Lender announces a change in the said default rate, the Borrower agrees that the Lender shall be entitled to immediately change the default rate provided herein, without the prior consent from the Borrower and without notice or any further evidence to be provided to the Borrower.

6. A change in any interest rates under Clauses 3 and 5 shall be notified by the Lender to the Borrower at the office of the Lender, whereby the Borrower shall be deemed to acknowledge the announcement of such change by the Lender every time.

7. The Borrower agrees to pay all stamp duties, fees (other than those provided herein) taxes, insurance premiums for security, expenses and any amounts incurred in connection with any steps taken involving the security, renewal of insurance, survey and appraisal of the value of security, review of the appraised value of security, and any other expenses incurred in any steps taken as provided herein.

In addition, the Borrower agrees to pay the following fees to the Lender:

Fees: These shall be in accordance with the Memorandum of Agreement dated March 4, 2004.

If the Borrower is in default of payment of any fee or expense in the amount and within the period provided as a condition above, the Borrower agrees that the Bank may charge interest at the default rate on the said fee or expense from the date of default until payment of such fee or expense is made in full.

8. In lending hereunder, if the Borrower is in default of payment of interest at the rate and within the period provided in Clauses 3 and 4 for a period of not less than one year, whether the Lender has made a demand or not, the Borrower agrees that the overdue interest for the said period may be compounded with the principal immediately when it is overdue from time to time, and the same shall become the principal to be repaid in installments by the Borrower under Clause 4.

9. Payment in installments by the Borrower under Clause 4 hereof shall not bar the right of the Lender to demand the Borrower to pay debt hereunder either in whole or in part prior to the due date under Clause 4 hereof as the Lender may deem appropriate due to any event in which the Lender believes that the Borrower will not pay debt or may be unable to pay debt as usual, without giving any reasons to the Borrower. The Borrower agrees that in case of such demand by the Lender, the Borrower shall pay debt to the Lender without reluctance, and shall not raise the benefit of time as a defense against the Lender.

10. In order to secure the performance hereof, the Borrower has placed _____ land title deed No. 7132, Tambol Klong Nung (Klong 1Tok), Amphur Klong Luang, Pathumthani province (Thunyaburi), and land title deed No. 1645, Tambol Bangwaitai (Klong 1 Tok), Amphur Klong Luang, Pathumthani province, for registration of mortgage

as security in favor of the Lender, and the Borrower has delivered all documents relating to such security to the Lender until the Lender is fully paid the debt hereunder.

11. The Borrower agrees to insure the property placed as security under Clause 10 with an insurance company approved by the Lender, in the insured amount designated by the Lender, allowing the Lender as the beneficiary under the policy. The Borrower also agrees to completely take out the insurance prior to receipt of the loan under Clause 2 or within the period as the Lender may deem appropriate. The Borrower shall pay insurance premiums and bear all expenses incurred in the insurance. The Borrower also agrees to renew the insurance contract as long as the Borrower is indebted to the Lender.

If the Borrower fails to take out or renew the insurance, the Borrower agrees that the Lender may do so on its behalf, and the Borrower agrees to reimburse the insurance premiums paid by the Lender, to the Lender together with interest at the default rate from the date of such payment by the Lender until reimbursement is made in full.

12. The Borrower agrees to review every year the assessed value of the property placed as security with the Lender, by an appraiser approved by the Lender, and the Borrower agrees to bear expenses involved therewith.

13. The Borrower agrees that the Lender shall have the power to deduct money from the Borrower's current account, No. 099-1-05185-5 at [] head office, [/] Simummuang Market-Rangsit branch, every month or at each time according to the repayment in installments to be made by the Borrower hereunder, to pay the principal and interest, as well as fees, stamp duties, taxes, insurance premiums, expenses and money advanced for the Borrower by the Lender in connection with the survey and appraisal of the value of the security, review of the appraised value of the security, insurance, renewal of insurance, expenses, damages or any amounts payable by the Borrower to the Lender hereunder or under any other documents or juristic acts relating to the execution of this Agreement, without notice to the Borrower, and the Borrower agrees that the Lender may exercise the right of retention or inhibit the Borrower from withdrawing such money, until the Borrower has paid debt to the Lender in full.

The consent under the preceding paragraph shall also be applicable to other types of deposit accounts or any other amounts owned by the Borrower and kept at the Lender, whether such amounts are deposited or kept at any office of the Lender.

In addition to the property placed as security hereunder, if the Borrower has any properties mortgaged, pledged or placed by the Borrower as security for other types of debts owed by the Borrower itself, or placed as security for payment of debt by any other person, whether such properties are kept at any office of the Lender, the Borrower agrees that the Lender may use all such properties to pay the debt payable by the Borrower hereunder. The Borrower also agrees that the Lender may exercise the right of retention or inhibit the Borrower from withdrawing mortgage, pledge or such properties if the Lender considers that such act of the Borrower will cause damage to the Lender or may cause the Lender to be unable to receive payment of debt hereunder.

14. The Borrower agrees to give prior consent for the Lender to dispose of or transfer debt or assign claims hereunder, or assign the right of mortgage, pledge, guarantee or right to any other security involving such debt or claims of the Lender either in whole or in part, to any person or juristic person at any time, regardless of whether the Lender has given notice to the Borrower of the same or not.

15. Any communication, demand, notice or any other letter sent to the Borrower by registered or unregistered mail or by any means, or by hand, to the address written above shall be deemed to have been duly given to the Borrower, regardless of whether there is a recipient or not. If it cannot be delivered because the address indicated herein has changed or removed without notice thereof from the Borrower to the Lender, or if it cannot be delivered because the address written above is not found, the Borrower shall be deemed to have duly received and acknowledged such communication, demand, notice or any other letter from the Lender.

(Translation)

TMB Bank Public Company Limited

COPY

Memorandum of Agreement

Made at TMB Bank Public
Company Limited

Date: March 4, 2004

Whereas Fabrinet Co., Ltd. and/or FABRINET, as the Borrower, hereinafter referred to as the "Company", has received support of credit for use as working capital in the business of the Company from TMB Bank Public Company Limited, as the Lender, hereinafter referred to as the "Bank", in the total amount of US\$ 6,000,000.00 (six million only) pursuant to the Loan Agreement dated March 4, 2004, hereinafter referred to as the "Loan Agreement".

The Company wishes to provide representations and confirmations to the Bank. The Company therefore executes this Memorandum for the Bank as follows:

1. The Company shall furnish to the Bank every year the Affidavit showing registration as a juristic person of the Company, issued not more than ninety (90) days from the last day of its fiscal period. In addition, at each time of change in the Company's register, the Company shall furnish to the Bank such documents of change in its register within thirty (30) days from the date of the change.
2. The Company shall furnish to the Bank the annual financial statements of Fabrinet Co., Ltd. and of Fabrinet together with notes to the financial statements certified by the certified public accountant within one hundred and twenty (120) days from the last day of its fiscal period, and shall furnish to the Bank the quarterly financial statements (if any) within ninety (90) days from the last day of its [quarterly] fiscal period, certified as correct by the authorized director(s) or finance manager of the Company.
3. The Company shall notify the Bank in writing within thirty (30) days upon a change in the major shareholder, executive, director or authorized director of the Company, or change in the Company's seal, or upon any significant event affecting its financial condition and operation.
4. The Company shall arrange to have Mr. David Thomas Mitchell, its major shareholder, execute a written confirmation that he will maintain his shareholding in Fabrinet Co., Ltd. and FABRINET at not less than 10.00% of all shares and shall be the main executive of the Company throughout the period of extending credit by the Bank.
5. The Company shall maintain the overall financial ratios at the end of December and June of each year throughout the period of extending credit by the Bank as follows:

5.1 The Company shall maintain the debt service coverage ratio (DSCR) at not lower than 2.00. The DSCR is calculated as follows:

$$\frac{\text{Profit before interest expense and depreciation and amortized expenses} + \text{cash and savings at banks}}{\text{Long-term debts due in 1 year} + \text{interest expense} + \text{short-term financial debts}}$$

5.2 The Company shall maintain its D/E ratio at not more than 2.00. The D/E ratio is calculated as follows:

$$\frac{\text{Liabilities and obligations}}{\text{Shareholders' equity} - \text{intangible assets} - \text{loan receivables from related companies and directors} - \text{investment}}$$

6. The Company shall maintain its reserved cash in its reserve account to be equal to the interest and principal payable for the period of 6 months ahead.
7. If the Company is in default of payment of debt owed to any financial institution, the Company agrees to be deemed to also be in default of payment of debt owed to the Bank.
8. If the investment budget for purchase of land, factory and improvements of structures invested is higher than the estimate, the shareholder or the Company shall be responsible for the additional capital.
9. The Company shall not pay debt owed to its directors and affiliates until the long-term loan debt owed to the Bank is paid in full, except payment of debt arising in the normal course of business.
10. Any disposal of, distribution or transfer of assets other than in the normal course of business in the amount more than Baht 50,000,000 (fifty million only) must first be consented in writing by the Bank.
11. The Company may pay dividend only in the following cases:
- 11.1 The Company is able to repay principal, pay interest and fees incurred relating to credit facilities when due.
- 11.2 The Company is able to maintain its reserved cash in its reserve account, which is equal to the amount of interest and principal payable for the period of 6 months ahead.
12. If the Company gains profit from its operation, the Company may pay dividend by not more than 50% of its net profit of that year. If the Company wishes to pay dividend by more than 50% of its net profit of the relevant year, the prior written consent from the Bank must be obtained.

TMB Bank Public Company Limited

Consent to/Cancellation of Deduction or Transfer of Deposit in Bank Account

Made at TMB Bank Public
Company Limited

Date: March 4, 2004

We, Fabrinet Co., Ltd., owner of a current account, No. 099-1-05185-5, account name: Fabrinet Co., Ltd., opened at TMB Bank Public Company Limited, Simummuang Market – Rangsit office/branch, hereby execute this consent to the Bank for taking steps in connection with our deposit account in the following cases:

1. To deduct or transfer money from our account specified above, to pay fees, pay credit facility debt, pay interest, pay stamp duties, pay expenses, account No. _____, account name _____

2. To cancel the deduction or transfer of money from our account specified above to _____ account, No. _____, account name _____

3. To deduct or transfer money from our account specified above for payment of employee salaries of _____ organization/company according to the accounts of salaries paid through the Bank.

4. We agree that the Bank may deduct or transfer money from our account specified above, to pay fees, service charges or pay salaries through the Bank in accordance with the regulations of the Bank.

Any acts done by TMB Bank Public Company Limited, Simummuang Market – Rangsit office/branch in accordance with Clauses 1, 2, 3 and 4 shall be deemed to have been done in accordance with our intention in all respects.

(Seal) Signed _____ *-Signature- -Signature-* Consenting owner of account

Signed _____ *-Signature-* Witness
(Mr. Supat Masnithat)

Signed _____ *-Signature-* Witness
(Mrs. Jinrapha Thaithae)

Note: Signature affixed in the account's owner box should be the same as the specimen given to the Bank.

070907

TMB Bank Public Company Limited

Memorandum

Public

Made at TMB Bank
Company Limited

Date: March 4, 2004

Whereas we, Fabrinet Co., Ltd. and/or FABRINET, the Borrower, have been approved:

Loan in the amount of US\$ 6,000,000 (six million only)

from TMB Bank Public Company Limited. We hereby enter into this Memorandum of Agreement with TMB Bank Public Company Limited as follows:

We hereby agree to pay fees to be charged to us by the Bank as follows:

1. Fee for extending credit/analysis of project and relevant documents (front-end fee) at the rate of 0.25% of the amount of credit facility approved, payable to the Bank in full on the date hereof.
2. Prepayment fee at the rate of 2.00% of the loan prepaid, payable to the Bank on the rate of payment of debt. However, the Bank may charge such fee only in cases where there is a transfer of the credit so prepaid, to another financial institution. The prepayment must be notified to the Bank not less than 45 days in advance, and the prior written consent from the Bank must be obtained, except where the prepayment is made from cash flow generated from the operation and/or increase of capital.
3. Cancellation fee at the rate of 1.00% of the amount of credit cancelled, payable to the Bank on the date of notice by the Borrower of such cancellation.
4. Commitment fee at the rate of 1.00% per annum of the amount of undrawn portion of the credit facility payable to the Bank within 30 days after the scheduled date of drawdown of credit facility at the relevant time.
5. Extension fee at the rate of 1.00% of the principal, extension of time for repayment of which is requested, provided that the prior written consent of the Bank is obtained.
6. Penalty fee at the rate of - % of the principal due but not yet repaid.
7. Conversion fee of - % of the amount converted, payable on the date of conversion of currency of credit facility.
8. Processing fee, which the Borrower agrees to pay to the Lender in the amount of Baht - (-)

(Translation)

stamp duty paid.
-signature + seal-
6 June 2005

TMB Bank Public Company Limited

[] Head office
[x] Simummuang Market-
Rangsit BranchLoan Agreement

Agreement No. _____

Date: June 6, 2005

We, Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lam Lukka, Pathumthani province, registration No. 1158/2542 and/or

We, FABRINET, with office located at Walker House, 87 Mary Street, Grand Cayman, Cayman Islands, British West Indies, hereinafter referred to as the "Borrower", hereby enter into this Agreement with TMB Bank Public Company Limited, hereinafter referred to as the "Lender", as follows:

1. Definitions

"SIBOR" means the interest rate per annum offered for loans in US\$ for the period equal to the interest period, printed or reported by Reuter through Reuters Screen that displays the SIBOR, or by other equivalent service (the "Screen") at 11.00 a.m. (Singapore time) of 2 business days immediately preceding the commencement date of the relevant interest period, provided that

- (a) Where there are more than 2 said interest rates on the Screen, the rate per annum determined by the Bank as the maximum rate offered for loans in US\$ in the interbank market in Singapore for the period equal to such interest period at 11.00 a.m. (Singapore time) on the said date shall be charged, or
- (b) Where it is unable to determine the said offered interest rate from the Screen, the average of the interest rates offered for lending in US\$ in the interbank market in Singapore for the period equal to such interest period at 11.00 a.m. (Singapore time) on the said date of the Development Bank of Singapore, Citibank, N.A. and Bank of Tokyo-Mitsubishi, Singapore branch, obtained by any means by the Bank from the said three banks shall be charged.

"MLR (Minimum Loan Rate)" means the interest rate charged by the Lender to its prime major customers obtaining term loans, which, at the time of execution hereof, is announced by the Lender at the rate of 6.00% per annum.

“Default rate” means the maximum interest rate announced and charged by the Lender to a defaulting or breaching debtor, which, at the time of execution hereof, is announced by the Lender at the rate of 13.00% per annum.

“Margin” means the margin used by the Lender to add to or subtract from the interest rate charged hereunder.

2. The Borrower agrees to borrow from the Lender in the amount of US\$ 8,000,000 (eight million), and the Borrower has received the loan from the Lender properly and completely on the date hereof.

3. Interest rate

The Borrower agrees to pay interest on the principal of the loan hereunder to the Lender at the rate equal to the SIBOR (for 6 months) [/] plus [] minus the margin of 1.50% per annum.

Where the law or the notification of the Bank of Thailand prescribes a change in interest rate and discount or margin for extending credits by commercial banks, or where the Lender changes the SIBOR used as a reference for the interest rate hereunder, the Borrower agrees that the Lender may change the SIBOR as provided herein immediately as the Lender deems appropriate, without prior consent from the Borrower or notice or any further evidence to be provided to the Borrower.

4. The Borrower agrees to repay the loan and interest under Clauses 2 and 3 to the Lender at the place and during office hours of the Lender as follows:

4.1 The Borrower agrees to pay interest at each interval of 6 months, on the last business day of every month.

4.2 The Borrower agrees to repay the principal to the Lender completely within 7 years from the date hereof, with a grace period of repayment of principal of 1 year (from June 2005 until May 2006). Upon completion of the said 1-year period, the Borrower agrees to repay the principal to the Lender at each interval of 6 months on the last business day of November and May, by dividing into 12 installments, i.,e., 1st – 11th installments, in the amount of US\$ 670,000 (six hundred seventy thousand) and 12th installment, in the amount of balance of US\$ 630,000 (six hundred thirty thousand).

If the scheduled date of repayment falls on the Lender’s holiday, the repayment shall be made on the immediately following business day. In addition, the Borrower agrees that, if after the date hereof, the amount to be paid in installment has changed due to the adjustment of interest rate under Clause 3 or for any reasons as may be deemed appropriate by the Lender, the Borrower agrees to pay the amount so changed provided that the Lender merely notifies the Borrower of the same, and the Borrower shall not raise any objections whatsoever.

5. Under any one of the following circumstances, the Borrower shall be deemed to be in default and breach hereof:

5.1 The Borrower is in default of payment of principal, interest or any amount and whether in any installment as provided herein.

5.2 The Borrower fails to comply with the Agreement, or is in breach of any provisions as provided herein.

5.3 Any evidence, writing, representation or document delivered by the Borrower to the Lender relating to the credit facility contains any false statement or is a false document, or is not legally effective.

5.4 The Borrower is sued, subject to execution of judgment, or there is any other event which the Lender considers that it may cause damage to the Borrower's operation or financial condition.

5.5 The Borrower is insolvent or is sued in a bankruptcy case, or is placed under receivership, or its assets are seized or attached by the official.

5.6 The value or reliability of any security provided by the Borrower to the Lender has decreased for any reasons, and after the Lender has given notice to the Borrower requiring placement of additional security, whose value is not less than the original security's, the Borrower fails or is unable to do so.

Where the Borrower is in default or breach as aforesaid, the Borrower shall be deemed to be in default of payment of the entire loan hereunder, and the entire debt shall become immediately due and payable. The Lender shall be entitled to enforce the debt immediately, and the Borrower agrees to immediately pay debt hereunder in full together with its interest and accessories, as well as any other debts or amounts payable by the Borrower to the Lender hereunder, and agrees to pay interest at the default rate from the date of default until complete payment is made, and agrees to pay other damages arising from the default, breach, expenses incurred in the claim, demand, lawsuit, legal fees, court fees and compensation.

Where the law, notification of the Bank of Thailand, or the Lender announces a change in the said default rate, the Borrower agrees that the Lender shall be entitled to immediately change the default rate provided herein, without the prior consent from the Borrower and without notice or any further evidence to be provided to the Borrower.

6. A change in any interest rates under Clauses 3 and 5 shall be notified by the Lender to the Borrower at the office of the Lender, whereby the Borrower shall be deemed to acknowledge the announcement of such change by the Lender every time.

7. The Borrower agrees to pay all stamp duties, fees (other than those provided herein) taxes, insurance premiums for security, expenses and any amounts incurred in connection with any steps taken involving the security, renewal of insurance, survey and appraisal of the value of security, review of the appraised value of security, and any other expenses incurred in any steps taken as provided herein.

In addition, the Borrower agrees to pay the following fees to the Lender:

Fees: These shall be in accordance with the Memorandum of Agreement dated June 6, 2005.

If the Borrower is in default of payment of any fee or expense in the amount and within the period provided as a condition above, the Borrower agrees that the Bank may charge interest at the default rate on the said fee or expense from the date of default until payment of such fee or expense is made in full.

8. In lending hereunder, if the Borrower is in default of payment of interest at the rate and within the period provided in Clauses 3 and 4 for a period of not less than one year, whether the Lender has made a demand or not, the Borrower agrees that the overdue interest for the said period may be compounded with the principal immediately when it is overdue from time to time, and the same shall become the principal to be repaid in installments by the Borrower under Clause 4.

9. Payment in installments by the Borrower under Clause 4 hereof shall not bar the right of the Lender to demand the Borrower to pay debt hereunder either in whole or in part prior to the due date under Clause 4 hereof as the Lender may deem appropriate due to any event in which the Lender believes that the Borrower will not pay debt or may be unable to pay debt as usual, without giving any reasons to the Borrower. The Borrower agrees that in case of such demand by the Lender, the Borrower shall pay debt to the Lender without reluctance, and shall not raise the benefit of time as a defense against the Lender.

10. In order to secure the performance hereof, the Borrower has placed land title deed Nos. 1645 and 7132, Tambol Bangwaitai (Klong 1 Tok), Klong Nung (Klong 1, Tok), Amphur Klong Luang, Pathumthani province (Thunyaburi), for registration of mortgage as security in favor of the Lender, and the Borrower has delivered all documents relating to such security to the Lender until the Lender is fully paid the debt hereunder.

11. The Borrower agrees to insure the property placed as security under Clause 10 with an insurance company approved by the Lender, in the insured amount designated by the Lender, allowing the Lender as the beneficiary under the policy. The Borrower also agrees to completely take out the insurance prior to receipt of the loan under Clause 2 or within the period as the Lender may deem appropriate. The Borrower shall pay insurance premiums and bear all expenses incurred in the insurance. The Borrower also agrees to renew the insurance contract as long as the Borrower is indebted to the Lender.

If the Borrower fails to take out or renew the insurance, the Borrower agrees that the Lender may do so on its behalf, and the Borrower agrees to reimburse the insurance premiums paid by the Lender, to the Lender together with interest at the default rate from the date of such payment by the Lender until reimbursement is made in full.

12. The Borrower agrees to review every year the assessed value of the property placed as security with the Lender, by an appraiser approved by the Lender, and the Borrower agrees to bear expenses involved therewith.

13. The Borrower agrees that the Lender shall have the power to deduct money from the Borrower's current account, No. 099-1-05185-5 at [] head office, [/] Simummuang

Market- Rangsit branch, every month or at each time according to the repayment in installments to be made by the Borrower hereunder, to pay the principal and interest, as well as fees, stamp duties, taxes, insurance premiums, expenses and money advanced for the Borrower by the Lender in connection with the survey and appraisal of the value of the security, review of the appraised value of the security, insurance, renewal of insurance, expenses, damages or any amounts payable by the Borrower to the Lender hereunder or under any other documents or juristic acts relating to the execution of this Agreement, without notice to the Borrower, and the Borrower agrees that the Lender may exercise the right of retention or inhibit the Borrower from withdrawing such money, until the Borrower has paid debt to the Lender in full.

The consent under the preceding paragraph shall also be applicable to other types of deposit accounts or any other amounts owned by the Borrower and kept at the Lender, whether such amounts are deposited or kept at any office of the Lender.

In addition to the property placed as security hereunder, if the Borrower has any properties mortgaged, pledged or placed by the Borrower as security for other types of debts owed by the Borrower itself, or placed as security for payment of debt by any other person, whether such properties are kept at any office of the Lender, the Borrower agrees that the Lender may use all such properties to pay the debt payable by the Borrower hereunder. The Borrower also agrees that the Lender may exercise the right of retention or inhibit the Borrower from withdrawing mortgage, pledge or such properties if the Lender considers that such act of the Borrower will cause damage to the Lender or may cause the Lender to be unable to receive payment of debt hereunder.

14. At any time insofar as the debt hereunder has not been paid in full by the Borrower, in case the Lender considers that the rate of exchange of US\$ into Thai baht is higher than such exchange rate on the day the Borrower makes a disbursement of loan in excess of ten percent (10%), or in case the circumstance of the Lender's source of loan in US\$ has changed, or in case the Lender deems it appropriate and more beneficial, or in any case where the Lender, at its absolute discretion, considers that it may affect the Borrower's ability to make payment of principal of credit facility, its interest, fee and / or any other money payable in US\$ to the Lender by the Borrower hereunder, the Lender shall immediately convert the currency of all credit facility owed to the Lender by the Borrower into Thai baht with no Borrower's opposition thereto. The Borrower agrees to waive all its claim for any damages from the Lender. In such case, the Borrower agrees to comply with the following conditions:

In such conversion of currency, the Borrower agrees to allow the Lender to apply the official exchange rate determined by the Lender in selling of US\$ on such date of conversion of such currency. The Borrower agrees to pay interest on the principal so conversion at MLR plus less the margin at the rate of _____ per year. If the Borrower is in breach of the Agreement, the Borrower agrees to pay interest to the Lender at the default rate until payment of debt is completely made.

In addition, in conversion of US\$ into Thai baht as aforesaid, the Borrower agrees to comply with all conditions and rules of the Lender, and agrees to allow the Lender, as its agent, to act on its behalf in signing any documents in connection with translation of such

currency, and to do all necessary acts on its behalf including the international remittance of currency on account of conversion of such currency as determined by the Lender, as well as the entering into a loan agreement with TMB Bank Public Company Limited for the purpose of borrowing of Thai baht (if necessary).

15. The Borrower agrees to give prior consent for the Lender to dispose of or transfer debt or assign claims hereunder, or assign the right of mortgage, pledge, guarantee or right to any other security involving such debt or claims of the Lender either in whole or in part, to any person or juristic person at any time, regardless of whether the Lender has given notice to the Borrower of the same or not.

16. Any communication, demand, notice or any other letter sent to the Borrower by registered or unregistered mail or by any means, or by hand, to the address written above shall be deemed to have been duly given to the Borrower, regardless of whether there is a recipient or not. If it cannot be delivered because the address indicated herein has changed or removed without notice thereof from the Borrower to the Lender, or if it cannot be delivered because the address written above is not found, the Borrower shall be deemed to have duly received and acknowledged such communication, demand, notice or any other letter from the Lender.

17. If the Borrower is in breach of any or all of the provisions hereof, and if it is necessary to take legal action, the Lender shall be entitled to file a lawsuit with the Civil Court or the court having jurisdiction over the locality in which the Borrower or the Lender has domicile, or the court of the locality where the immovable property is located, or the court of the locality where this Agreement was executed, as the Lender may deem appropriate.

The Borrower has thoroughly read and understood the contents hereof, and has therefore signed (with seal affixed) in the presence of witnesses on the date written above.

Fabrinet Co., Ltd.

Signed _____ *-Signature-* Borrower
(Mr. Soon Kaewchansilp)
Authorized Director of the Company

(Seal)

FABRINET

Signed _____ *-Signature-* Borrower
(FABRINET by Mr. David Thomas Mitchell, President & CEO)

TMB Bank Public Company Limited

Signed _____ *-Signature- and seal* Lender
By (Mrs. Phawana Wej-anurak 336)

Authorized signatory of the Bank

Signed _____ *-Signature-* _____ Witness
(Mr. Supat Masnithat)

Signed _____ *-Signature-* _____ Witness
(Mrs. Jinrapha Thaitae)

(Translation)

TMB Bank Public Company Limited

Memorandum of Agreement

Made at TMB Bank Public
Company Limited

Date: June 6, 2005

Whereas Fabrinet Co., Ltd. and/or FABRINET, as the Borrower, hereinafter referred to as the "Company", has received support of credit for use as working capital in the business of the Company from TMB Bank Public Company Limited, as the Lender, hereinafter referred to as the "Bank", in the total amount of US\$ 8,000,000.00 (eight million only) pursuant to the Loan Agreement dated June 6, 2005, hereinafter referred to as the "Loan Agreement".

The Company wishes to provide representations and confirmations to the Bank. The Company therefore executes this Memorandum for the Bank as follows:

1. The Company shall furnish to the Bank every year the Affidavit showing registration as a juristic person of the Company, issued not more than ninety (90) days from the last day of its fiscal period. In addition, at each time of change in the Company's register, the Company shall furnish to the Bank such documents of change in its register within thirty (30) days from the date of the change.
2. The Company shall furnish to the Bank the annual financial statements of the Company and of Fabrinet together with notes to the financial statements certified by the certified public accountant within one hundred and twenty (120) days from the last day of its fiscal period, and shall furnish to the Bank the quarterly financial statements (if any) within ninety (90) days from the last day of its [quarterly] fiscal period, certified as correct by the authorized director(s) of the Company.
3. The Company shall notify the Bank in writing within thirty (30) days upon a change in the major shareholder, executive, director or authorized director of the Company, or change in the Company's seal, or upon any significant event affecting its financial condition and operation.
4. The Company confirms that on the date of execution of the Loan Agreement, Mr. David Thomas Mitchell is a major shareholder holding shares at the ratio of 20% and is the Chairman of the Board of the Company. If Mr. David Thomas maintains his shareholding in Fabrinet lower than 10.00% of all shares or ceases to be the main executive of the Company, the Company shall inform the Bank within thirty (30) days from the date of decrease of shareholding ratio or cessation of being the executive.

5. The Company shall maintain the overall financial ratios at the end of December and June of each year throughout the period of extending credit by the Bank as follows:

5.1 The Company shall maintain the debt service coverage ratio (DSCR) at not lower than 2.00. The DSCR is calculated as follows:

$$\frac{\text{Profit before interest expense and depreciation and amortized expenses} + \text{cash and savings at banks}}{\text{Long-term debts due in 1 year} + \text{interest expense} + \text{short-term financial debts}}$$

5.2 The Company shall maintain its D/E ratio at not more than 2.00. The D/E ratio is calculated as follows:

$$\frac{\text{Liabilities and obligations}}{\text{Shareholders' equity} - \text{intangible assets} - \text{loan receivables from related companies and directors} - \text{investment}}$$

6. The Company shall maintain its reserved cash in its reserve account to be equal to the interest and principal payable for the period of 6 months ahead.

7. If the Company is in default of payment of debt owed to any financial institution, the Company agrees to be deemed to also be in default of payment of debt owed to the Bank.

8. If the investment budget for construction of factory building invested this time is higher than the amount of US\$ 10 Million (ten million only), the shareholder or the Company shall be responsible for the additional capital.

9. The Company shall not pay debt owed to its directors and affiliates until the long-term loan debt owed to the Bank is paid in full, except payment of debt arising in the normal course of business.

10. Any disposal of, distribution or transfer of assets other than in the normal course of business in the amount more than Baht 50,000,000 (fifty million only) must first be consented in writing by the Bank.

11. The Company may pay dividend only in the following cases:

11.1 The Company is able to repay principal, pay interest and fees incurred relating to credit facilities when due.

11.2 The Company is able to maintain its reserved cash in its reserve account, which is equal to the amount of interest and principal payable for the period of 6 months ahead, and must obtain the prior approval from the Bank.

12. If the Company gains profit from its operation, the Company may pay dividend by not more than 50% of its net profit of that year. If the Company wishes to pay dividend by more than 50% of its net profit of the relevant year, the prior written consent from the Bank must be obtained.

13. The Company shall maintain its DSCR (debt service coverage ratio) after payment of dividend at not lower than 2.00, using the calculation basis under Clause 5.1.

14. If the Company fails to comply with the provisions of this Memorandum of Agreement, the Company shall be deemed to be in breach of the agreement with the Bank, which is regarded as an event of default. The Bank may then consider cancelling the Loan Agreement and demand the Company to pay debt in full immediately, whereby the Company shall not raise any objections whatsoever.

In Witness Whereof, the Company has thoroughly read and understood the contents above, and has therefore signed (with seal affixed) in the presence of witnesses.

Fabrinet Co., Ltd.

Signed _____ *-Signature-* _____ Company
(Mr. Soon Kaewchansilp, Director)

(Seal)

FABRINET

Signed _____ *-Signature-* _____ Company
(FABRINET by Mr. David Thomas Mitchell, President & CEO)

TMB Bank Public Company Limited

Signed _____ *-Signature- and seal* _____ Bank
(Mrs. Phawana Wej-anurak 336)
Authorized signatory of the Bank

Signed _____ *-Signature-* _____ Witness
(Mr. Supat Masnithat)

Signed _____ *-Signature-* _____ Witness
(Mrs. Jinrapha Thaithae)

(Translation)

TMB Bank Public Company Limited**Memorandum**Made at TMB Bank Public
Company Limited

Date: June 6, 2005

Whereas we, Fabrinet Co., Ltd. and/or FABRINET, the Borrower, have been approved:

Overdraft in the amount of	
Loan in the amount of	US\$ 8,000,000 (eight million only)
Amount under letter of guarantee	
(electricity) in the amount of	Baht 15,000,000 (fifteen million only)

From TMB Bank Public Company Limited. We hereby enter into this Memorandum of Agreement with TMB Bank Public Company Limited as follows:

We hereby agree to pay fees to be charged to us by the Bank as follows:

1. Fee for extending credit/analysis of project and relevant documents (front-end fee) at the rate of 0.25% of the amount of credit facility approved, payable to the Bank in full on the date hereof.
2. Prepayment fee at the rate of — % of the loan prepaid, payable to the Bank on the rate of payment of debt. However, the Bank may charge such fee only in cases where there is a transfer of the credit so prepaid, to another financial institution. The prepayment must be notified to the Bank not less than 45 days in advance, and the prior written consent from the Bank must be obtained.
3. Cancellation fee at the rate of 1.00% of the amount of credit cancelled, payable to the Bank on the date of notice by the Borrower of such cancellation.
4. Commitment fee at the rate of 1.00% per annum of the amount of undrawn portion of the credit facility or of the overdrawn or underdrawn portion of the credit facility provided in the above-mentioned agreement, payable to the Bank within — days after the scheduled date of drawdown of credit facility at the relevant time.
5. Extension fee at the rate of 1.00% of the principal, extension of time for repayment of which is requested, provided that the prior written consent of the Bank is obtained.
6. Penalty fee at the rate of — % of the principal due but not yet repaid.

(Translation)

TMB BANK PUBLIC COMPANY LIMITED

LOAN AGREEMENT

Made at TMB Public Company Limited,
Simummuang-Rangsit Branch

Date 4 April 2007

We, **FABRINET CO., LTD.**, having an office located at No. 294 Moo 8, Vipavadee-Rangsit Road, Kookot Sub-district, Lam Lukka District, Pathum Thani Province, with juristic person registration number 0105542073726, hereinafter referred to as "First Borrower", and

We, **FABRINET CO., LTD.**, having an office located at Walker Hourse, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies, hereinafter referred to as "Second Borrower",

Where it is not specifically referred to any person, it will be collectively referred to as "Borrowers", hereby make and deliver this Agreement to **TMB BANK PUBLIC COMPANY LIMITED**, hereinafter referred to as "Bank".

Whereas, the Borrowers are desirous to borrow from the Bank for the purchase of land, construction of factory buildings and system facilities to be located at No. 1634 Bangwai Tai Sub-district (Klong 1 Tok), Klong Luang District, Pathum Thani Province, hereinafter referred as the "Project";

Both parties, therefore, agree as follows:

Article 1. Definition

The Borrowers and the Bank agree that the following terms, if not otherwise specified, shall mean as follows:

"**Interest Period**" means a period for calculation of interest which covers three months from the date of drawdown to the end of the three-month period, except for the first interest period which commences on the date of the first drawdown and ends on the last Business Day of February, May, August or November, as the case may be, and with regard to the subsequent interest period, it shall commence on the date of payment of the preceding payment of interest to the date of subsequent payment of interest, until the Borrower has made payment of its debts in full.

"**Interest Payment Date**" means the last Business Day of February, May, August and November of each Interest Period, which is the date due for the Borrower to pay interest under this Agreement, the first payment to be made on the last Business Day of May 2007.

“**SIBOR**” means the interest rates per annum at which banks offer to lend in US Dollar in international money market in Singapore in relation to a period equal to the Interest Period published or reported by Reuters on SIBO page of Reuters Screen service or by other equivalent service (“Monitor Screen”) at or about 11:00 a.m. (Singapore time) two (2) Business Days before the first day of the relevant interest period:

- (a) If there are more than two rates on the Monitor Screen, the rate per annum will be the rate as determined as the highest rate of the offered rates for a loan in US Dollar in the interbank market in Singapore in relation to a period equal to the Interest Period at or about 11:30 a.m. (Singapore time) on such date, or
- (b) If the offered rates cannot be determined from the Monitor Screen, the average of offered rates for a loan in US Dollar in interbank market in Singapore in relation to a period equal to the relevant Interest Period at or about 11:00 a.m. (Singapore time) offered by Development Bank of Singapore, Citibank, N.A., and Bank of Tokyo-Mitsubishi, Singapore Branch) obtained by any means by the Bank from such three banks or from other banks as the Bank may deem appropriate.

In determining the interest each time, the Bank shall determine based on the above provision on the drawdown date and/or at the end of each Interest Period. When the Bank has so determined, the Borrower agrees to treat it as the interest rate to be used for calculation of the interest to be paid by the Borrower to the Bank with regard to such Interest Period. The Bank shall be entitled to change the interest rate for every Interest Period without notice to the Borrower and it shall not be required to provide any evidence thereof to the Borrower.

“**Default Interest Rate**” means the highest interest rate charged by the Bank on a client in default of performance or in breach of contract, which currently is 15.50 per cent per annum.

Where the law or Bank of Thailand’s notification prescribes change in the interest rates for credits granted by commercial banks or where the Bank changes such interest rates, the Borrower authorizes the Bank to change such interest rates provided in this Agreement forthwith without prior consent of the Borrower and without providing notice or any evidence to the Borrower.

In relation to any change in the interest rates mentioned above, the Bank will post a notice for information to the Borrower at the Bank’s office, in which case it will be deemed that the Borrower has been aware of every notice of such change made by the Bank.

“**Business Day**” means the day on which commercial banks in Thailand are open for business as usual.

Article 2. Types and Amounts of Loan

The Borrower requests, and the Bank grants, loans to the Borrower in United States Dollars in the amount of US\$22,000,000 (Twenty-two million United States Dollars), hereinafter referred to as the “Loan”, divided into the amounts as follows:

2.1 US\$1,800,000 (One million and eight hundred thousand United States Dollars) for cost of construction of factory buildings and system facilities under the Project, hereinafter referred to as “Tranche 1 Loan”;

2.2 US\$20,200,000 (Twenty million and two hundred thousand United States Dollars) for purchase of land under the Project, hereinafter referred to as “Tranche 2 Loan”.

Article 3. Conditions Precedent to Drawdown

The Borrower may drawdown the Loan in the amount specified in Article 2 when it has delivered the following documents and done the following things before the drawdown, and at the time of drawdown it is not in default specified in Article 13 hereof. If a copy of the document is provided, it must be certified as true copy with date by the authorized director of the Borrower stamped with the Borrower’s seal:

3.1 The Borrower shall deliver an affidavit issued by the Partnerships and Companies Registrar, Ministry of Commerce, showing that the Borrower has been registered as a limited company, list of directors and persons authorized to sign on behalf of the Borrower.

3.2 The Borrower shall deliver its memorandum of association, articles of association, and list of shareholders current as of the date of this Agreement and which are certified as correct by the Partnerships and Companies Registrar.

3.3 The Borrower shall deliver minutes of board of directors meeting approving the borrowing under the conditions specified herein. Where any person is authorized to sign this Agreement, the statement of such authorization must be specified in such minutes of the board of directors meeting.

3.4 The Borrower shall deliver specimen signatures of the persons authorized to sign this Agreement and notices of drawdown, as well as notices and certifications, on behalf of the Borrower.

3.5 The Borrower shall complete the juristic acts and security matters specified in this Agreement according to the Bank’s regulations in all respects and to deliver the documents according to the Bank’s regulations in full, except where otherwise provided herein.

3.6 The Borrower shall present the agreement for purchase and sale of land, the construction agreements for the buildings and systems and provide a copy thereof to the Bank.

3.7 The Borrower shall deliver the blue-prints of the factory buildings for the Bank to appraise their value, and shall appoint an independent engineer approved by the Bank to review the feasibility of the investment with regard to the system facilities. If the value appraised by the Bank is lower than the projected cost, the Borrower agrees that the Bank may reduce the amount of the Loan in the same proportion.

3.8 The Borrower shall increase its registered capital by the amount of no less than Baht 200,000,000.00 (Baht two hundred million only) so that the total registered capital

shall become Baht 400,000,000.00 (Baht four hundred million only), and all shares shall be fully paid-up before the first drawdown. The Borrower shall furnish the Bank with a copy of a shareholders list made after the full payment for the registered capital.

3.9 The Borrower shall open a current account with the Bank, Simummaung-Rangsit Branch, hereinafter referred to as “Debt Service Reserve Account”, as a reserve for payments of the Loan’s principal and interest, in an amount equal to the interest and principal liabilities for the subsequent three months, and when it becomes due the Borrower consents to the Bank to deduct the Debt Service Reserve Account for the payment forthwith.

3.10 The Borrower shall provide the drawdown schedule by 3-month interval basis (“Drawdown Schedule”) and notify the Bank no less than five Business Days in advance before the first drawdown of each 3-month interval.

Article 4. Interest and Payment Schedule

4.1 The Borrower agrees to pay interest on the principal of the Loan to the Bank at SIBOR plus 1.50 (one point five) per annum payable on three-month period basis on the last Business Day of February, May, August, and November of each year until the principal has been paid in full.

4.2 The Borrower agrees to pay interest mentioned in Article 4.1 by installment according to the Interest Period on each interest payment date until the principal of the Loan has been fully repaid, the first interest payment to be paid on the interest payment date of the first Interest Period.

4.2 (*sig.*) In calculation of the interest, the rate of interest under Article 4.1 shall apply to the principal from the date of each drawdown until the Loan has been repaid in full, and the Borrower acknowledges that the calculation of interest under this Agreement is in accordance with the customary practices of the Bank in all respects to which the Borrower shall not object in any way.

4.3 (*sig.*) If the Borrower is in breach of Article 13, the Borrower agrees and consents to the Bank to change the interest rate determined under Article 4.1 to the Default Interest Rate, which the Bank is entitled to apply from the date of default until the payments under this Agreement have been made in full.

4.4 (*sig.*) If the Borrower fails to pay the interest for a period of no less than one year, regardless of whether the Bank has demanded the payment thereof or not, the Borrower agrees that the Bank may compound the unpaid interest to the principal and charge interest on the compounded amount at the rate mentioned in Article 4.3.

Article 5. Drawdown Period and Procedure

The Borrower may drawdown the Loan under Article 2 upon its having completed conditions precedent with regard to the juristic acts and security matters under Article 3 of this Agreement, and has paid the fees to the Bank, except as otherwise provided in this Agreement, subject to the following conditions and procedure:

5.1 The Borrower shall drawdown the Loan as follows:

5.1.1 Drawdown of Tranche 1 Loan, and part of Tranche 2 Loan in the amount of US\$13,200,000 (Thirteen million and two hundred thousand million United States Dollars only), which are in the aggregate amount of US\$15,000,000 (Fifteen million United States Dollars only) shall be made by the Borrower within 24 months from the date of the first drawdown and according to the drawdown schedule.

5.1.2 Drawdown of the balance of Tranche 2 Loan in the amount of US\$7,000,000 (Seven million United States Dollars) shall be made by the Borrower within 36 months from the first drawdown and according to the drawdown schedule.

5.2 The Borrower shall drawdown the Loan as detailed below:

5.2.1 Tranche 1 Loan, for land purchase, shall be drawn down in the amount of 78 per cent of the purchase price in the aggregate amount of no more than US\$1,800,000 (One million eight hundred thousand United States Dollars), subject to submission to the Bank of the agreement for the purchase and sale of land and evidence of payment of the purchase price and furnishing of a copy thereof to the Bank, and on the date of land ownership transfer, mortgage of such land as security must also be registered.

5.2.2 Tranche 2 Loan, for construction of factory buildings and system facilities, shall be drawn down in the amount of no more than 83 per cent of the cost for the construction of factory buildings and system facilities, which in the aggregate shall not be more than US\$20,200,000 (Twenty million and two hundred thousand United States Dollars), and the Borrower agrees to maintain 5 per cent of the Tranche 2 Loan as the last drawdown, and the Borrower shall draw down such amount when all construction under the Project has been completed.

5.3 The Borrower agrees that the Bank may credit the money as drawn down by the Borrower to the Borrower's account and/or the Borrower may come to take it in person and/or order payment of the same to a third party, regardless of whether the payment is made by the Bank's check or any form of document, which shall be deemed that the Borrower has duly received the Loan from the Bank. Where it has been due but the Borrower has not proceeded to draw down the Loan as provided in Article 5.1, it shall be deemed that the Borrower no longer wishes to draw down the Loan from the Bank, except as otherwise agreed in writing by the Bank, and the amount to be repaid by the Borrower shall be the amount that has been actually drawn down from the Bank.

During the time the Borrower is entitled to draw down the Loan or the Borrower has not drawn down the full amount of the Loan, if the Borrower would like to cancel the utilization of the Loan, either in whole or in part, the Borrower shall request the cancellation in writing no less than 5 Business Days in advance of the date of cancellation, or where the availability period as mentioned in Article 5.1 has lapsed but the Borrower has not proceeded to draw down the Loan or has requested the draw down but not in full amount of the Loan, the Borrower agrees that the un-drawn portion of the Loan, either in whole or in part as the Bank may deem appropriate, will be deemed to have been cancelled, in which case the Borrower shall not raise any objection.

Notwithstanding the cancellation under the second paragraph, the Borrower shall pay the cancellation fee to the Bank pursuant to Article 8.3.

5.4 To draw down the Loan, the Borrower shall submit a drawdown notice (attached as Annex 1 and forming part of this Agreement) to the Bank no less than 7 Business Days in advance of the drawdown.

5.5 If the Borrower becomes in breach of any provision of this Agreement, even if the Borrower has not drawn down the Loan in full amount as specified in Article 2 of this Agreement, the Borrower agrees that the Borrower will be no longer entitled draw down the remaining amount of the Loan, except otherwise agreed by the Bank for the Borrower to make the drawdown.

Article 6. Payment of Principal

6.1 The Borrower shall repay the principal of the Loan to the Bank by 3-month basis in 24 installments on the last Business Day of February, May, August, and November of each year, the first payment to be made on the last Business Day of May 2007, provided that the Borrower shall repay the Loan in full within 8 years from the date of the first drawdown according to the following schedule:

<u>Payment installments</u>	<u>Amount of each payment (US\$)</u>	<u>Total amount of payment (US\$)</u>
1-23	917,000.00	21,091,000.00
24 (last)	909,000.00	909,000.00
Total		22,000.00

If partial prepayment is made by the Borrower, the prepayment shall apply to repayment of the principal of the Loan in order from the last to the first installment, or to any principal payment installment, or as seen appropriate by the Bank.

6.2 Payment of the principal or interest under this Agreement may be made by the Borrower in Thai currency or foreign currency. Where payment is made in foreign currency, the Borrower shall pay in the foreign currency agreed under this Agreement, in which case the Borrower shall buy such foreign currency with Thai currency from the Bank at the exchange rate from the foreign currency to Thai currency determined by the Bank on the payment due date.

6.3 When the Borrower has drawn down the Loan in full amount as specified in Article 2, and when the Borrower has repaid the principal, either in part or in whole, the Borrower may not further request a drawdown of the Loan.

6.4 In the case of prepayment under Article 6.1, of any installment, either in whole or in part, the Borrower shall give a notice to the Bank no less than 30 Business Days in advance and the Borrower shall pay the fees specified in Article 8.2.

6.5 In the payments of fees, expenses, penalties, taxes and other moneys relating to the Loan, the Borrower shall pay in the same currency as the currency of the Loan.

6.6 Where any event arises from or consequent to or is a direct or indirect consequence of war, revolution, riot, economic system variation, politics, monetary market

condition, or any event, either in or out of country, which renders the Bank to be unable to allow the Borrower to draw down the Loan in foreign currency as specified in Article 2, the Borrower agrees to make the drawdown in other foreign currency which the Bank has provided as a substitute in an amount equivalent to the amount specified in Article 2, and agrees not to make any claim from or commence any law suit against the Bank.

6.7 Where the rules, regulations, stipulations, law and/or other similar things applicable to or controlling the operation of commercial banks in force at the time of execution of this Agreement changes, which renders the Bank to be unable to grant the Loan in the foreign currency as requested by the Borrower or other foreign currency, when it is requested by the Bank, the Borrower shall forthwith repay the Loan to the Bank, even if such payment has not yet become due. In such a payment, the Borrower shall pay in the currency which was drawn down or convert the foreign currency drawn down into Thai currency using the selling rate of the Bank of the date of exchange, or on the date deemed to be the date of drawn down, as the exchange rate.

Article 7. Security

To secure the performance of obligations under this Agreement, the Borrower shall provide the following securities to the Bank:

7.1 The Borrower shall proceed to mortgage the land under title deed no. 1634 of Tambol Bangwai Tai (Klong 1 Tok), Klong Luang District, Pathum Thani Province, owned by Fabrinet Co., Ltd., together with buildings currently existing or to be constructed thereon, to the Bank with the mortgage sum of Baht 880,000,000 (Eight hundred and eighty million Baht).

If any time the exchange rate for selling one United States Dollar to Thai currency is higher than 40 (forty) Baht, the Borrower agrees to register the increase of the mortgage sum by the amount as the Bank may see appropriate.

7.2 If in the future the security provided to the Bank pursuant to Article 7.1 has the value that is not sufficient for payment of all debts to the Bank, the Borrower agrees to provide other property to place as security, so that the value thereof becomes sufficient for payment of all debts to the Bank, immediately upon having received a notice from the Bank that the value of the security property is not sufficient for payment of all debts and of additional security to be provided. The security so provided by the Borrower shall be free from any encumbrance and must have been approved by the Bank. If the Borrower fails to provide additional security or provides additional security but the value thereof is still not sufficient or no approval of the Bank has been given, the Borrower agrees that the Bank may commence a court case to enforce performance of all debts immediately.

7.3 If the Bank has enforced the mortgage over the security property but the net proceeds derived are insufficient for payment of all debts, the Borrower agrees to make good the deficit to the Bank in full, and agrees to the seizure by the Bank of the Borrower's other property to pay for the outstanding debts until they have been fully paid.

7.4 If the Borrower has other property that is mortgaged, pledged or placed as security for other indebtedness of the Borrower or of other person, whether such property is located in any office of the Bank, the Borrower agrees to treat such mortgage, pledge or

placement as security for all debts of the Borrower owed to the Bank and agrees that the Bank may enforce all such property for payment of the outstanding debts under this Agreement. The Borrower agrees that the Bank may exercise its right of retention or desist any attempt of the Borrower to release the mortgage of such property, if the Bank considers that such act of the Borrower shall be prejudicial to or render the Bank to be unable to receive the payment of debts under this Agreement.

7.5 The Borrower shall take insurance for the work during construction with the sum insured equal to the full value of the part of the building that has been completed. When the building has been completed, the insurance must be taken in the Borrower's name with the sum insured equal to the full value of such building or to the full amount of debts owed to the Bank, whichever is lower, from the insurer seen as appropriate. The insurance will be in the category of all risk insurance, including business interruption, specifying the Bank as the sole beneficiary or loss payee. Insurance premium will be paid by the Borrower. Insurance policy must be delivered for keeping by the Bank. Such insurance shall continue as long as the Borrower has not paid the debts in full, and the Borrower agrees to allow the Bank to renew the insurance, including notification for change, amendment, cancellation, increase or reduction of the sum insured, or conditions regarding the insurance, on behalf of the Borrower, by which the Borrower agrees to be bound in all respects. If the Bank has paid the insurance premium on behalf of the Borrower, the Borrower agrees to reimburse the Bank such insurance premium paid by the Bank. The Borrower agrees that such insurance premium paid on its behalf by the Bank is an additional debt to be repaid by the Borrower and be subject to interest at the Default Interest Rate, which the Bank is entitled to charge from the date of payment made by the Bank on behalf of the Borrower until such debt has been repaid by the Borrower in full.

Article 8. Fees and Expenses

8.1 The Borrower must pay the front-end fee to the Bank at the rate of 0.25 (zero point two five) per cent of the Loan under Article 2 on the date of execution of this Agreement.

8.2 The Borrower must pay the prepayment fee if the Borrower prepays the principal in full to the Bank before the due date under this Agreement at the rate of one per cent of the amount prepaid on the date of the prepayment, except where the money used for the prepayment are derived from its operation or from the increase of registered capital.

8.3 The Borrower must pay the cancellation fee at the rate of one per cent of the cancelled Loan or the Loan that has not been utilized pursuant to Article 5.1 on the date of the request for cancellation or the date after the end of the availability period, as the case may be.

8.4 The Borrower must pay the commitment fee at the rate of one per cent of the amount of the Loan that is not drawn down according to the draw down schedule on the date after the lapse of the draw down period according to the draw down schedule.

8.5 The Borrower must pay the extension fee at the rate of one per cent of the principal of the Loan a repayment extension of which is requested. Such extension of repayment must have been approved by the Bank on the date on which the memorandum of extension is made.

8.6 All taxes, stamp duties, fees, and expenses of all kinds arising out of the granting of the Loan and/or from the survey, appraisal of the security property, review of the appraisal, mortgage, pledge, guarantee, release of the security, and relating to the security property, insurance premium, as well as expenses for the warnings, claims, demands, charges, lawyer's fees, commissions, expenses for judgment execution, and expenses of all kinds incurred by the Bank in connection with the litigation to enforce repayments, shall be borne by the Borrower. If the Bank has paid on behalf of the Borrower, the Borrower shall repay the Bank in full together with interest thereon at the Default Interest Rate from the date the Bank made such payment until the full repayment has been made.

8.7 When the Borrower has paid the fees, expenses and any amounts under this Agreement to the Bank, the Borrower shall not claim refund of such fees or expenses from the Bank for whatever reason even though the Loan has been subsequently cancelled, either in whole or in part, or the Loan is not granted due to force majeure.

Article 9. Withholding Tax

Payments in connection with this Agreement shall be made in full without any set-off, deduction, or counter-claim, and without withholding as or for taxes, except where the law in such jurisdiction requires the Borrower to make such payment by withholding or deduction, in which case the Borrower shall pay additional amount to the Bank so that the Bank may have received the amount as if such withholding or deduction had not been made. The Borrower shall pay all taxes or charges which the law in such jurisdiction levies on the Borrower and/or the Bank in connection with this Agreement to the relevant tax authority in full and submit the original or certified copy of each receipt as evidence of such tax or payment to the Bank immediately. The Borrower shall fully indemnify the Bank in case of any offence due to the delay or failure by the Borrower in paying the taxes or charges. Without prejudice to the foregoing provision, the Borrower shall fill in the forms and documents as required by the Bank from time to time to give any benefit under any relevant tax treaty or applicable provisions of law to the Bank or for any relevant purposes.

Article 10. Representations of Borrower

The Borrower represents and warrants as follows:

10.1 The First Borrower is a juristic person in the category of a limited company duly registered under the law of Thailand, and carries on business as usual under the law, and is fully qualified to do the business it currently carries on and to be carried on in the future; it holds ownership in the property and has obtained licenses relevant to the operation of such business under the law currently applicable.

The Second Borrower is a juristic person under the law of Cayman Islands, British West Indies.

10.2 The entering into, performance, documentation, and any other proceeding specified in this Agreement, and all acts of the Borrower are within the power of the Borrower which it may do and not in violation of the law or any contractual restriction or commitment binding the Borrower or in violation of the objectives of the Borrower and provision of the articles of association of the Borrower, and binds the Borrower and are enforceable against the Borrower according to the terms specified in this Agreement and any such other documents in all respects.

10.3 This Agreement and any other documents made hereunder, when executed and delivered to any party shall be lawful and bind the Borrower and be enforceable against the Borrower according to the terms specified in this Agreement and any such other documents in all respects.

10.4 The Borrower warrants that it will utilize the money received from the Bank for the purpose of the borrowing under this Agreement only.

10.5 The documents relating to the power of attorney, certification, authorization, consent from the Borrower or government agencies or authorities or persons or juristic persons relating to this Agreement or performance under this Agreement submitted to the Bank by the Borrower on the date of execution of this Agreement or to be submitted in the future have been duly certified and such documents are binding and enforceable in all respects.

10.6 No claim or law suit, arbitration proceeding, or administrative proceeding is pending in any court or agency, and there are no threatened claim or law suit, against the Borrower or enforceable against any property of the Borrower.

10.7 The Borrower is not in breach, violation or non-compliance with any law or regulations, order, agreement, warranty, instrument, privilege, concession, license, permit, authorization, commitment or duty binding the Borrower or its property or income, where such breach, violation or non-compliance may affect the operation, business, indebtedness or financial or other condition of the Borrower or the capability of the Borrower to perform its obligations under this Agreement, and there is no breach or potential breach of agreement and continuing on the date of execution of this Agreement.

10.8 The Borrower's property are not subject to any encumbrance under law on mortgage, pledge or preferential rights, and the Borrower has not transferred the property or the rights under the mortgage, pledge or created any encumbrance over the Borrower's property, to any person other than those made in favor of the Bank, except for the encumbrance over the Borrower's property which the Borrower has notified the Bank before the date of execution of this Agreement.

10.9 The Borrower has no outstanding tax liabilities, and it has paid all taxes and duties, filed all tax forms within the time prescribed by law, except where the Borrower has duly contested and/or appealed.

10.10 The Borrower has done everything required by law so as to make this Agreement, security documents and any other documents relating to the granting of the Loan valid and enforceable.

10.11 The Borrower may operate and/or carry on the business without being in breach or violation of the law on operation of business by aliens, and the Borrower agrees to comply immediately in all respects with any requirement set forth by such law.

Article 11. Covenants of Borrower

During the term of this Agreement and as long as any amount under this Agreement is outstanding, the Borrower covenants that it will do the following, except as otherwise agreed by the Bank:

11.1 [The Borrower shall] at all times maintain the correctness and genuineness of the representation given herein.

11.2 The Borrower shall deliver a certificate of registration issued by the Partnerships and Companies Registrar, Ministry of Commerce, with validity term of no more than 90 days after the end of the financial year to the Bank every year, or within 30 days of any change.

11.3 Change in the juristic person status or major shareholders or management or directors or authorized directors, including change in the Borrower's company seal or amendment to the memorandum of association, articles of association and/or objects or any event which materially affect financial condition and operation of the project must be notified in writing to the Bank no less than 30 days in advance.

11.4 [The Borrower shall] submit the annual financial statements, including balance sheet, profit and loss statement, together with the auditor's report and notes thereto as audited by the auditor within 120 days after the end of the financial year and the quarter financial statements (if any). Such financial statements must be certified by the authorized directors or the finance manager of the Borrower.

11.5 If any data or information is disclosed to the public which affects the operation of the Borrower, the Borrower shall clarify and propose remedy thereto to the Bank immediately.

11.6 When construction of the Project is completed, the Borrower shall review and have the appraisal of the security property done by an independent appraiser company approved by the Bank within 90 days after the completion of the construction. During the term of this Agreement and as long as the Borrower has the debts under this Agreement outstanding, the security property must be reviewed and appraised according to the regulations of the Bank and/or Bank of Thailand by an appraiser approved by the Securities and Exchange Commission on the expenses of the Borrower.

11.7 In the case of cost overrun, the Borrower shall be responsible to find the fund to complete the Project by increasing its registered capital and/or utilizing the income from its operation and/or support from shareholders, and if the fund is the shareholders' loan, the Borrower shall treat it as a subordinated loan as against the indebtedness to the Bank, and the Borrower shall prepare the documents and/or agreements in the form prescribed by the Bank so that the repayment of the subordinated loan will not be made prior to the repayment of the Loan to the Bank (if any).

The loan as the sponsors support and/or from shareholders shall be the loan that is not conflict with or affect the Bank's interest; such loan shall not be repaid before the repayment of the Loan to the Bank.

11.8 The Borrower shall procure that its directors and/or shareholders give warranty to the Bank that the loans from the directors and/or shareholders, whether given before or after the execution of this Agreement, shall be subordinated to the Loan from the Bank in the form prescribed by the Bank (if any).

11.9 The Borrower shall allow the Bank to inspect the Project and relevant financial documents and accounts as may be reasonable.

11.10 The loan to the directors and affiliates or investment in one or more affiliates may be made only when it is notified to the Bank no less than 30 days in advance and has been approved in writing from the Bank.

11.11 [The Borrower shall] report any event of default provided in Article 13 with details of what the Borrower has done to remedy such event immediately after such event occurs.

11.12 [The Borrower shall] maintain any licenses requisite for the operation of the Borrower to be valid at all times, and to apply for any licenses requisite for the operation of the Borrower within the time prescribed by law and submit a copy thereof to the Bank.

11.13 [The Borrower shall] maintain the business of the Borrower and any other licenses, privileges, and concessions obtained or should have obtained consequent to its operation; to operate the business with orderliness, efficiency and regularity, to comply with the laws, regulations, stipulations, and orders of the relevant authorities, prepare account books and evidences correctly according to the regulations and procedures generally accepted, and pay taxes and fees charged on the property or operation of the Borrower immediately when due or before being fined for failure thereof, except for the case where the Borrower has contested in good faith.

11.14 [The Borrower shall] notify the Bank immediately in the case of change in the accounting policy as well as the methods and/or criteria for accounting record, account preparation, or accounting calculation, provided that such methods and criteria so changed be made according to the accounting principles generally accepted.

11.15 [The Borrower shall] notify the Bank immediately of the court case or dispute between the Borrower and other person, regardless of whether the Borrower is a plaintiff or defendant.

11.16 The Second Borrower warrants that on the date of execution of this Agreement Mr. Thomas Mitchell shall maintain his shareholding in the Second Borrower at 20 per cent and shall hold the position of the chairman of the board of directors of the Second Borrower. If Mr. David Mitchell's shareholding in the Second Borrower falls below 10 per cent of the total shares sold or ceases to be the chairman of the board of directors of the Second Borrower, it shall be notified to the Bank within 30 days after the shareholding proportion falls or the cessation of being the chairman of the board of directors of the Second Borrower.

11.7 The Borrower shall comply with regulations of the Department of Industrial Works, including the laws, regulations or stipulations on the control of environmental impact and non-tax trade measures (in the case of export).

11.8 The Borrower shall deposit the reserve in the Debt Service Reserve Account as a reserve for repayment of the principal and interest in the amount equal to the liability to pay the interest and the principal for payment of the subsequent three-month installment.

11.19 The Borrower shall maintain financial ratio as of the end of December and June as follows:

(a) To maintain Debt Service Coverage Ratio (DSCR) from 2009 onwards at no lower than 2.50.

“DSCR” means earning before interest and depreciation and amortization plus cash on hand minus short term debt divided by current portion of long-term debt plus interest expense.

(b) To maintain Debt Equity Ratio (D/E) at no more than 2.00.

“D/E” means debts and contingent liabilities divided by equity minus intangible assets minus receivables from related company and directors minus investment.

10.20 The First Borrower shall utilize foreign currency deposit and transfer foreign currency through the Bank.

Article 12. Negative Covenants of Borrower

During the term of this Agreement, the Borrower covenant not to do the following without a written consent from the Bank:

12.1 To sell business or liquidate for dissolution or cease to operate the business carried on by the Borrower during the time this Agreement is in force.

12.2 To do any act that causes the Bank to have the rights that are subordinated to those of other creditors or other lenders of the Borrower.

12.3 To lend or grant credit or provide security or become liable or undertake to perform or assume responsibility in other's indebtedness, except where the Borrower has notified in writing to the Bank and the Bank has considered that such matter is in the normal course of business of the Borrower.

12.4 To reduce its registered capital or merge with other juristic person or incorporate or invest in other juristic person in order to operate on its behalf or jointly with other juristic person in any way, except where it has been notified to the Bank no less than 30 days in advance and a written consent of the Bank has been obtained and provided that such juristic person assume joint liability with the Borrower with regard to the indebtedness under this Agreement.

12.5 To repay the loan to directors, affiliates or other related companies until the indebtedness owed to the Bank under this Agreement has been paid in full, or a written consent from the Bank has been obtained, except for the repayment of debts in the normal course of business.

12.6 To pay dividends, either interim or annual, or pay any benefits or remuneration to shareholders, either one or all shareholders, in any way or by any method, except:

- (a) Where there is no event of default or any event that will cause default; and
- (b) The principals, interests, and fees can be paid on schedule; and
- (c) Before and after the payment of dividends, the DSCR under Article 11.9(a) is met; and
- (d) The reserve deposited in the Debt Service Reserve Account in the prescribed amount is satisfied; and
- (e) The dividends are paid from profit from operation and to be paid in the amount of no more than 50 per cent of net profit as of such year,

Provided that a written consent from the Bank has been obtained before the payment.

12.7 To dispose of, sell, transfer, lease out, pledge, mortgage, encumber, or place under any liability or condition which will cause other person to have the rights over the Borrower's property, whether currently existing or to be acquired in the future, or in any way, to other person, except for where it is made to the Bank or a written consent thereof has been obtained from the Bank in advance, or the disposal, sale or transfer of the property with value of no more than Baht 50,000,000 (Fifty million Baht only).

12.8 To create any debt or indebtedness except a written consent thereto has been obtained from the Bank.

Article 13. Event of Default

In addition to the event of default under law or other provisions of this Agreement, the following events shall be deemed events of default:

13.1 The Borrower fails to pay the principal, interest, fees or any amount pursuant to the conditions, schedule and/or amount specified in this Agreement, or the Borrower is in breach of agreement and becomes in default in payment of other debts to the Bank and/or other creditors, or the Borrower in any way fails to perform under this Agreement, or becomes in breach of any provision of this Agreement and/or any other agreement made by the Borrower with the Bank.

13.2 The statement or representation given by the Borrower hereunder is not true in material respect or the certificate, articles of association or memorandum of association of the Borrower furnished by the Borrower or other person on its behalf is false, counterfeit, or invalid, either in whole or in part.

13.3 When the Borrower and/or the guarantor is sued or becomes insolvent or sued for bankruptcy or its property becomes subject to temporary receivership or absolute receivership or reorganization of the Borrower and/or the guarantor, or the Borrower and/or

the guarantor is enforced to pay debts, its property being seized or attached, either in whole or in part, or any event occurs and the Bank is of the opinion or has the ground to believe that such event is materially prejudicial and affect the operation, property, or financial condition or payment of debts or other matter of the Borrower or will render the Borrower to be unable to performs its obligations under this Agreement.

13.4 The Borrower uses the Loan for other purpose than the purpose of the borrowing specified in this Agreement.

13.5 When the security the Borrower provided pursuant to Article 7 becomes in defect, or reduced in value and the Borrower cannot provide additional security to the satisfaction of the Bank within 15 days after the occurrence of such event.

13.6 When the Borrower becomes subject to legal proceeding or order of the state or any other circumstance, which results in the change or interruption of internal operation of the Borrower, or the whole shares or majority shares of the Borrower, or the whole or part of the Borrower's property or income becomes subject to seizure, attachment, expropriation or becomes the state's property.

13.7 When the Borrower ceases to operate the business it operates at the time of entering into this Agreement, or when the Borrower operates other business which is different from the business it is currently operating.

13.8 Any event which results in material adverse changes to the security property provided to the Bank or financial condition, business, operation and property of the Borrower, or to the ability of the Borrower to perform obligations in the circumstance as provided in the financial documents, or the validity, existing and applicability of the financial documents.

Article 14. Consequence of Breach

If the Borrower becomes in default or in breach of agreement under Article 13, it shall be deemed to be in default with respect to the whole debts and the credit be immediately terminated. Consequently, all debts under this Agreement shall be immediately due without notice, claim, [or] demand from the Bank, and the Borrower allows the Bank to charge interest on the Loan and/or other outstanding debts at the Default Interest Rate until all debts have been paid in full, and agrees to pay all damages incurred by the Bank due to the Borrower's default, and all expenses with regard to the warnings, claims, demands, litigation and judgment execution to the full amounts in all respects.

Article 15. Application of payments

Any amount paid to the Bank by the Borrower under this Agreement shall be applied to the expenses and/or fees outstanding (if any). Then it will be applied for the payment of interests, and the rest shall be applied for the payment of principal outstanding.

Article 16. Illegality

At any time, if any circumstance causes the Bank to be unable to lawfully grant the Loan to the Borrower, the Bank shall notify the Borrower thereof without delay. In such a

case, it shall be deemed that the Bank has no more obligations to provide the Loan to the Borrower and the Borrower agrees to repay any debts to the Bank as the Bank shall notify the Borrower without additional payment or prepayment fee.

Article 17. Waiver

Failure of or delay by the Bank in exercising any right or power provided in this Agreement shall not be deemed the waiver of such right. Any change or waiver of any right under this Agreement or consent for the Borrower not to comply with any condition or agreement hereunder shall not take effect until a confirmation in writing from the Bank has been obtained, and notwithstanding such confirmation, such waiver or consent shall take effect only with respect to the matter specifically stated and only to the extent of the purpose specifically stated in such confirmation.

Article 18. Disclosure of Information

The Borrower agrees and authorizes the Bank to disclose credit information of the Borrower to the Central Information Services Co., Ltd. and/or any juristic person providing credit information services under the law on credit information, including those to come into existing in the future (collectively referred to as "Credit Information Company") to allow the Credit Information Company to disclose to its members, financial institutions or other juristic persons, for the purpose of analysis for the granting of credits and for review and correct such information of the Borrower. In this regard, the Borrower shall not require any remuneration or compensation for any damage arising from such act of the Bank and/or Credit Information Company, and agrees to allow the Bank to verify and use the credit information of the Borrower received by the Bank from the Credit Information Company for the purpose of analysis for granting of credits to the Borrower by the Bank, and for this purpose, "credit information" means financial information and any information of the Borrower required to be obtained by the Credit Information Company for the above purpose.

Article 19. Others

19.1 The Borrower agrees to allow the Bank to deduct from any and all types of bank accounts it has with the Bank or any other money it has at the Bank or is entitled to be refunded by the Bank, including the amount owned by the Borrower or in relation to which the Borrower is a creditor of the Bank, for payment of the principal and interest as well as fees, stamp duties, taxes, insurance premiums, expenses and the advances made by the Bank for the Borrower with regard to the survey and appraisal of the security, the review of the appraisal, insurance, insurance renewal, expenses, damages or any money payable by the Borrower to the Bank under this Agreement or any other legal documents relating to this Agreement, to the Bank without notice to the Borrower. The Borrower also allows the Bank to exercise its right to retain, or to desist the withdrawal by the Borrower of, such money until the Borrower has paid the debts to the Bank in full.

Where the Bank deducts the amount in a current account and the balance in such account is not sufficient, or the account has no balance, the Borrower allows the Bank to increase the amount of the debts in the type of overdraft and agrees to pay interest according to the terms and conditions provided in the agreement or contract made by the Borrower with the Bank and the Borrower allows the Bank to charge such interest in compound on monthly basis according to customary practices of the Bank until the Borrower has paid the debts to the Bank in full.

19.2 The Bank is entitled to assign all or part of its interest under this Agreement to any commercial bank or financial institution or juristic person any time. However, the rights of the Borrower under this Agreement are the rights specific to the Borrower. Consequently, the Borrower may not assign its interest or rights, either in whole or in part, to other person, except where written consent thereto from the Bank has been obtained.

19.3 Any amendment, cancellation, revocation, change in the provision of this Agreement or security agreement, including relevant documents, shall be made only in writing and with consents of the two parties.

19.4 If any part of the terms or conditions or provision of this Agreement becomes void or invalid, the parties agree that such void or invalid provision are separated from the terms, condition and provision that are valid, and that the valid terms, conditions and provision shall be enforceable.

19.5 The Borrower undertakes that if the Borrower moves out of the domicile mentioned above, the Borrower shall have the duty to notify the Bank thereof within 7 Business Days, otherwise it will be deemed that the Borrower becomes in breach of agreement in material respect, consequent to which the Bank is entitled to demand repayment of all debts immediately.

19.6 Any and all correspondents, letters, notices sent to the address specified as office or location of the Borrower, either in person or by registered post or non-registered post, regardless of whether any person has taken delivery thereof or not, or the delivery could not be made because the Borrower relocates its office or location without notice to the Bank, the Borrower agrees that the correspondent, letter [or] notice shall be deemed to have been duly sent to the Borrower.

IN WITNESS WHEREOF, the Borrower has this Agreement signed and stamped by company seal in the presence of witnesses below.

FABRINET CO., LTD.

Signature _____ First Borrower
(Mr. Soon Kaewcharnsilp)
Authorized Director

Signature _____ Second Borrower
(Mr. David Thomas Mitchell, President & CEO)
Authorized Director

TMB BANK PUBLIC COMPANY LIMITED

Signature _____ Bank
(Mr. Sithipong Nakwatchara) (Mrs. Nualwan Saenwiset)

Authorized Signatories

Signature _____ Witness
(Mr. Rewat Wongsivarote)

Signature _____ Witness
(Mr. Supat Masanitat)

Annex 1
Drawdown Notice

Made at _____

Date _____

To: President
TMB Bank Public Company Limited

Re: Notice of Drawdown

Whereas, we _____ (Borrower) has requested a loan from TMB Bank Public Company Limited in the amount of _____ Baht (_____) under the Loan Agreement, dated _____;

We hereby notify TMB Bank Public Company Limited that we would like to draw down the Loan from the Bank for [specify purpose] _____ in the amount of _____ (_____) on _____ by the following method:

- By Bank's check ordering payment and delivered to us in the amount of _____ Baht (_____ Baht).
- By Bank's check ordering payment to _____ and delivered to _____ in the amount of _____ Baht (_____ Baht).
- By crediting to our account at the Bank, Account Category _____, Account No. _____, _____ Branch, in the amount of _____ Baht (_____ Baht).
- By crediting to the account of _____ at _____ Bank, _____ Branch, Account Category _____, Account No. _____, in the amount of _____ Baht (_____ Baht).
- Other _____ in the amount of _____ Baht (_____ Baht).

When the Bank has proceeded as mentioned above, it shall be deemed that we have received the money drawn down from the Bank in full, and this Drawdown Notice is a part of the above-mentioned Loan Agreement.

Yours sincerely,

(_____)

Borrower

Annex 2
Drawdown Schedule

Date: October 18, 2007

Re: Approval of amendment and waiver**To: Fabrinet
Fabrinet Co., Ltd.**

With reference to your request to amend and waive for the breaches of certain covenants in the following loan agreements:

- Agreement # 1: Loan Agreement dated 4 March 2004 Credit line \$6M
- Agreement # 2: Loan Agreement dated 6 June 2005 Credit line \$8M and Supplemental Memorandum attached to such loan agreement
- Agreement # 3: Loan Agreement dated 4 April 2007 Credit line \$22M and Supplemental Memorandum attached to such loan agreement

The Bank has considered and approved as follows:

A. Amendment on certain conditions**1. Reassessment of collateral value**

The Bank has agreed to amend the condition of reassessment of collateral value of such 3 loan agreements as follows:

“The borrower agrees to reassess the value of the collateral upon request by the lender. The borrower shall proceed to have reassessment within 90 days from date of such request by using an appraiser who is accepted by the lender, and the borrower agrees to pay for the related expenses.”

2. To maintain the condition of Mr. David Thomas Mitchell being the key shareholder and the chairman as stipulated in Clause 4 of Agreement #2

“As of the Agreement date, Mr. David Thomas Mitchell is the key shareholder, holding twenty (20)% of total shares, and shall be the chairman of the Company. If his shareholding percentage falls below ten (10)% or if he ends his office as the key management, the Company shall notify the Bank within thirty (30) days after his share dilution or ending his management.

3. DSCR (Debt Service Coverage Ratio)

The Bank has agreed to change the calculation formula of DSCR under the Agreement # 1 and # 2 to be the same as Agreement # 3 (dated 4 April 2007 credit line \$22M) as follows:

“The Borrower shall maintain Debt Service Coverage Ratio (DSCR) not lower than 2.50.

Debt Service Coverage Ratio (DSCR) is calculated by

$$\frac{\text{Earning before interest and depreciation and amortization} + \text{Cash on Hand} - \text{Short-term Debt}}{\text{Current portion of Long-term Debt} + \text{Interest Expenses}}$$

4. Changes of jurisdiction status

The Bank has consented to amend this condition of such 3 loan agreements as follows:

“The Company shall inform to the bank within 90 days after any changes in major shareholders or key management or members of the board or authorized signatory or company’s stamp or any other significant matters that could effect the financial and business operations of the company.

5. Debt service reserve account

The Bank has agreed to cancel the requirement of having the Debt service reserve account for Agreement # 1 and # 2, however, still to maintain this condition for Agreement # 3 by having additional conditions as follows:

1. The Company shall open a reserve account, separately from the operating accounts, within 30 days from date of this letter.
2. The Company shall deposit the fund for the required principal and interest payment, within 3 months after starting production.

6. Dividend payment condition

The Bank has agreed to cancel the dividend payment condition for the 3 loan agreements only for condition regarding the limited ratio of dividend payment to net profit.

B. Waiver of certain breaches of covenants in the past

1. Mortgage machines to EXIM Bank

With reference to the Agreement # 3, the Bank has consented that the Company mortgaged machinery of Baht 18,920,000 with EXIM Bank on 12 July 2007.

2. Debt service reserve account

The Bank has agreed to waive and cancel the requirement to open a reserve account for the Agreement #1 and # 2.

3. D/E ratio and DSCR ratio

The Bank has waived on the non-compliance with the following financial ratio:

As of June 2005, D/E Ratio = 2.10 which exceeded 2 times

As of December 2005, D/E Ratio = 2.05 which exceeded 2 times

As of December 2006, DSCR Ratio = 1.92 which was lower than 2 times

4. Breach due to breach in other clauses

4.1 With reference to the Agreement # 2 and the Agreement # 1, the Bank has waived for the breach due to breach in Clause 12 in Loan Agreement, reassessment of collateral value and Clause 5.1 under Supplemental Memorandum, DSCR (Debt Service Coverage Ratio).

4.2 With reference to the Agreement # 3, the Bank has waived the non-compliance due to breach in other clauses for the matters waived in this letter from date of the agreement until present.

C. Other conditions

Additional condition is as follows:

RPN Credit line \$2M shall have no outstanding balance for at least 15 days per year.

For your acknowledgement and thank you for continuous using the Bank service.

Best Regards

(Mr. Thongchai Hanpongsajit)
Donmuang Regional Manager and Acting Rangsit Regional
Manager

We accept and will conform with the conditions.

Fabrinet and Fabrinet Co., Ltd.

Date:

(Translation)

LAND AND BUILDINGS LEASE AGREEMENT

for

Chokchai I Building

between

CHOKCHAI INTERNATIONAL CO., LTD.

and

FABRINET CO., LTD.

LAND AND BUILDINGS LEASE AGREEMENT

This Agreement is made on April 30, 2004 at Chokchai International Co., Ltd. of No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kookot, Lamlookka District, Pathumthani Province, between:

CHOKCHAI INTERNATIONAL CO., LTD., by Miss Vivien Pakdeeprasong and Mr. Chai Bulkul, authorized directors, with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kookot, Lamlookka District, Pathumthani Province, hereinafter referred to as “**Chokchai**”, of the one part, and

FABRINET CO., LTD., by Mr. Soon Kaewchansilp, authorized director, with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kookot, Lamlookka District, Pathumthani Province, hereinafter referred to as “**Fabrinet**”, of the other part.

Whereas, Chokchai, who has leased the land under land title deeds nos. 2172 and 3857 from Mrs. Sujarit Bulkul, wishes to sublet to Fabrinet certain part of the land and buildings which are specified hereunder as Zone C and Zone E, and to permit the use of part of the land which is specified hereunder as Zone B1 and Zone B2 without payment of any consideration; and

Whereas, Chokchai, who has leased the land under land title deed no. 1527 from the Bureau of State Property under a total of 4 (four) lease agreements made between Chokchai and the Bureau of State Property dated April 16, 1990, dated January 24, 1996, dated June 26, 1996 and dated November 19, 1996, hereinafter collectively referred to as “State Property Lease Agreements”, with the consent from the Bureau of State Property to the subletting of land under the terms and conditions of the State Property Lease Agreements, wishes to sublet to Fabrinet land together with buildings which are specified hereunder as Zones A, D, F and G; and

Whereas Fabrinet wishes to sublet the above-mentioned land together with buildings from Chokchai.

Now, therefore, both parties agree as follows:

Clause 1. Definitions

“**Land**” means the area appearing on the map attached hereto and specified as the following zones:

- (1) Part of the land under land title deed no. 1527, survey page 25, volume 16, with an approximate area of 3,650 square meters, hereinafter referred to as Zones A and D, for use as office, storage and employees’ canteen;
- (2) Part of the land under land title deed no. 3857, land no. 132, survey page 1359 and under land title deed no. 2172, land no. 50, survey page 200, volume 22, page 72, with an approximate area of 7,600 square meters, hereinafter referred to as Zones B1 and B2, with Zone B1 being used as walkway and Zone B2 being used as common road;

- (3) Part of the land under land title deed no. 3857, land no. 132, survey page 1359 and under land title deed no. 2172, land no. 50, survey page 200, volume 22, page 72, with an approximate area of 1,070 square meters, hereinafter referred to as Zone C, for use as location of machinery;
- (4) Part of the land under land title deed no. 1527, survey page 25, volume 16 with an approximate area of 450 square meters, hereinafter referred to as Zone F, for use as storage and offices;
- (5) Part of the land under land title deed no. 1527, survey page 25, volume 16 with an approximate area of 1,824 square meters, hereinafter referred to as Zone G, for use as parking space;
- (6) Part of the land under land title deed no. 3857, land no. 132, survey page 1359 and under land title deed no. 2172, land no. 50, survey page 200, volume 22, page 72, with an approximate area of 13,270 square meters, hereinafter referred to as Zone E, for use as factory area.

“**Buildings**” means the factory, warehouse, offices, buildings and facilities on the Land;

“**Leased Premises**” means the Land and Buildings on the Land as detailed in Attachment 1 hereto, which shall be deemed an integral part hereof;

“**Common Area**” means Zone B1, which is used as walkway, and Zone B2, which is used as common road, for use by representatives, agents, employees and persons authorized by Chokchai and Fabrinet as access and exit.

“**Effective Date**” means May 1, 2004.

“**Fair Market Rental**” means the amount of rental for the land and buildings voluntarily agreed on by the lessor and the lessee without coercion on the part of any party, or as determined by one or more appraisers acceptable to Chokchai and Fabrinet, or according to the terms of this Agreement.

“**Fair Market Value**” means the value of the land and buildings to be purchased and sold voluntarily between the purchaser and the seller without coercion on the part of any party, or as determined by one or more appraisers acceptable to Chokchai and Fabrinet, or according to the terms of this Agreement.

“**Bureau of State Property**” means the Bureau of State Property, Ministry of Finance.

“**Lease Term**” means the period of 10 (ten) years from the Effective Date, i.e. May 1, 2004 to April 30, 2014, inclusive of the first and last days, and divided into 2 (two) phases, i.e. the First Lease Phase and the Second Lease Phase.

“**First Lease Phase**” means the period of the first 5 (five) years from May 1, 2004 to April 30, 2009, inclusive of the first and last days.

“**Second Lease Phase**” means the period of 5 (five) years from the day immediately following the First Lease Phase, i.e. May 1, 2009 to April 30, 2014, inclusive of the first and last days.

- (3) Part of the land under land title deed no. 3857, land no. 132, survey page 1359 and under land title deed no. 2172, land no. 50, survey page 200, volume 22, page 72, with an approximate area of 1,070 square meters, hereinafter referred to as Zone C, for use as location of machinery;
- (4) Part of the land under land title deed no. 1527, survey page 25, volume 16 with an approximate area of 450 square meters, hereinafter referred to as Zone F, for use as storage and offices;
- (5) Part of the land under land title deed no. 1527, survey page 25, volume 16 with an approximate area of 1,824 square meters, hereinafter referred to as Zone G, for use as parking space;
- (6) Part of the land under land title deed no. 3857, land no. 132, survey page 1359 and under land title deed no. 2172, land no. 50, survey page 200, volume 22, page 72, with an approximate area of 13,270 square meters, hereinafter referred to as Zone E, for use as factory area.

“**Buildings**” means the factory, warehouse, offices, buildings and facilities on the Land;

“**Leased Premises**” means the Land and Buildings on the Land as detailed in Attachment 1 hereto, which shall be deemed an integral part hereof;

“**Common Area**” means Zone B1, which is used as walkway, and Zone B2, which is used as common road, for use by representatives, agents, employees and persons authorized by Chokchai and Fabrinet as access and exit.

“**Effective Date**” means May 1, 2004.

“**Fair Market Rental**” means the amount of rental for the land and buildings voluntarily agreed on by the lessor and the lessee without coercion on the part of any party, or as determined by one or more appraisers acceptable to Chokchai and Fabrinet, or according to the terms of this Agreement.

“**Fair Market Value**” means the value of the land and buildings to be purchased and sold voluntarily between the purchaser and the seller without coercion on the part of any party, or as determined by one or more appraisers acceptable to Chokchai and Fabrinet, or according to the terms of this Agreement.

“**Bureau of State Property**” means the Bureau of State Property, Ministry of Finance.

“**Lease Term**” means the period of 10 (ten) years from the Effective Date, i.e. May 1, 2004 to April 30, 2014, inclusive of the first and last days, and divided into 2 (two) phases, i.e. the First Lease Phase and the Second Lease Phase.

“**First Lease Phase**” means the period of the first 5 (five) years from May 1, 2004 to April 30, 2009, inclusive of the first and last days.

“**Second Lease Phase**” means the period of 5 (five) years from the day immediately following the First Lease Phase, i.e. May 1, 2009 to April 30, 2014, inclusive of the first and last days.

Clause 2. Agreement on Sublease

2.1 Sublease of the Leased Premises

Chokchai agrees to sublet, and Fabrinet agrees to sublease, the Leased Premises for the purposes of lawful factory operation of Fabrinet, and Chokchai covenants that it has full right and authority to sublet the Leased Premises as follows:

2.1.1 Zones C and E and the Buildings pursuant to the terms and conditions contained herein; and

2.1.2 Zones A, D, F and G together with the Buildings, subject to the terms and conditions provided in the State Property Lease Agreements, and Fabrinet agrees to comply with the State Property Lease Agreements as appearing on its copy in Attachment 2 hereto, which is deemed an integral part hereof.

Chokchai agrees to notify the Bureau of State Property so that Fabrinet can be permitted to duly take on the sublease pursuant to the terms and conditions of the State Property Lease Agreements immediately after the execution of this Lease Agreement.

2.2 Permission for Use of the Leased Premises

Chokchai agrees to permit Fabrinet to use Zones B1, B2 and G without payment of any consideration.

2.3 Registration of Juristic Acts for Sublease of Leased Premises

Both parties agree to register the juristic act for sublease of the Leased Premises at the competent land office within 30 (thirty) days from the Effective Date or by the date agreed by both parties subject to terms of registration of juristic act for sublease of the Leased Premises under the State Property Lease Agreements, whereby the parties agree to attach this Lease Agreement for the registration of juristic act for sublease. In case of conflict between the registered lease agreement and this Agreement, this Agreement shall prevail.

If the terms of the State Property Lease Agreements do not correspond with the term of this Agreement, Chokchai agrees to register the sublease agreement in favour of Fabrinet until completion of the period under Clause 2.4 hereof, whereby the parties agree to declare the actual rental in the registration of sublease juristic act and according to the Lease Term that may be registered.

Fabrinet agrees to be solely responsible for all fees and stamp duties relating to this Agreement and the registration of juristic act of sublease of the Leased Premises.

2.4 Term of Agreement

This Agreement has a term of 10 (ten) years commencing on May 1, 2004.

2.3 Registration of Juristic Acts for Sublease of Leased Premises

Both parties agree to register the juristic act for sublease of the Leased Premises at the competent land office within 30 (thirty) days from the Effective Date or by the date agreed by both parties subject to terms of registration of juristic act for sublease of the Leased Premises under the State Property Lease Agreements, whereby the parties agree to attach this Lease Agreement for the registration of juristic act for sublease. In case of conflict between the registered lease agreement and this Agreement, this Agreement shall prevail.

If the terms of the State Property Lease Agreements do not correspond with the term of this Agreement, Chokchai agrees to register the sublease agreement in favour of Fabrinet until completion of the period under Clause 2.4 hereof, whereby the parties agree to declare the actual rental in the registration of sublease juristic act and according to the Lease Term that may be registered.

Fabrinet agrees to be solely responsible for all fees and stamp duties relating to this Agreement and the registration of juristic act of sublease of the Leased Premises.

2.4 Term of Agreement

This Agreement has a term of 10 (ten) years commencing on May 1, 2004.

2.5 Rental

The rental hereunder consists of 2 (two) portions as follows:

- (1) fifty percent (50%) as rental of the Leased Premises;
- (2) fifty percent (50%) as service charge for equipment, facilities and services, exclusive of VAT.

2.6 Payment of Rental

Fabrinet agrees to pay the monthly rental to Chokchai in advance within the fifth day of each calendar month from the month of the Effective Date at the following rates:

<u>Lease Term</u>	<u>Year</u>	<u>Rental/Baht/ Month</u>	<u>Service Charge/Baht/ Month</u>	<u>Total/Baht/Month</u>
First Lease Phase				
May 1, 2004 – April 30, 2005	1	1,163,302.50	1,163,302.50	2,326,605.00
May 1, 2005 – April 30, 2006	2	1,221,467.63	1,221,467.63	2,442,935.26
May 1, 2006 – April 30, 2007	3	1,282,541.01	1,282,541.01	2,565,082.02
May 1, 2007 – April 30, 2008	4	1,346,668.06	1,346,668.06	2,693,336.12
May 1, 2008 – April 30, 2009	5	1,414,001.47	1,414,001.47	2,828,002.94
Second Lease Phase				
May 1, 2009 – April 30, 2010	6	1,414,001.47	1,414,001.47	2,828,002.94
May 1, 2010 – April 30, 2011	7	1,414,001.47	1,414,001.47	2,828,002.94
May 1, 2011 – April 30, 2012	8	1,414,001.47	1,414,001.47	2,828,002.94
May 1, 2012 – April 30, 2013	9	1,414,001.47	1,414,001.47	2,828,002.94
May 1, 2013 – April 30, 2014	10	1,414,001.47	1,414,001.47	2,828,002.94

2.7 Deposit

Fabrinet agrees to place a sum of money equal to 6 (six) months' rental as security against payment of public utilities charges, taxes, expenses and compliance with the requirements, terms and conditions by Fabrinet throughout the term hereof as follows:

- (1) For the First Lease Phase, Fabrinet agrees to place with Chokchai a sum of Baht 13,959,630 (Thirteen Million Nine Hundred Fifty-nine Thousand Six Hundred and Thirty) on the date hereof.
- (2) For the Second Lease Phase, Fabrinet agrees to place an additional sum of Baht 3,008,387.64 (Three Million Eight Thousand Three Hundred Eighty-seven and sixty-four satang) on or by May 1, 2009.

If Fabrinet fails to pay the public utilities charges, taxes or expenses, is in breach of any clause hereof, or fails to perform any of its duties, causing damage to Chokchai, Chokchai shall be entitled to make deduction or set-off against the deposit according to the actual amount of damages as compensation at all times or from time to time. After Chokchai makes such deduction or set-off against the deposit according to the actual amount of damages, Fabrinet shall place additional sum of money to fill the deficit of the deposit in full throughout the Lease Term, within 7 (seven) days from the date of receipt of written notification from Chokchai.

Upon completion of the Lease Term hereunder without renewal, and after Chokchai makes deduction for any debt owed or payable by Fabrinet to Chokchai in full, Chokchai will return the remaining deposit to Fabrinet immediately without interest within 7 (seven) days from the date of termination of the Lease Agreement and after Fabrinet has duly returned the Leased Premises to Chokchai.

If Fabrinet terminates this Agreement before the completion of the Lease Term, Fabrinet agrees that Chokchai may unconditionally forfeit the deposit under this Clause in full, without prejudice to Chokchai's right to claim from Fabrinet any other damages in excess of the deposit.

2.8 Taxes

Chokchai shall be responsible for house and land tax and local development tax levied on the Leased Premises.

Fabrinet shall withhold tax on the amount paid to Chokchai as required by Thai law. In case of such a tax withholding, Fabrinet shall submit the evidence of tax withholding and remit the tax to the Revenue Department in the form prescribed by the Revenue Department.

Fabrinet shall be responsible for the value added tax, sign tax, and any other taxes arising from the operation by Fabrinet on the Leased Premises during the term hereof.

2.9 Right to Renew the Agreement

If Fabrinet wishes to renew this Lease Agreement, Fabrinet shall notify Chokchai in writing at least 6 (six) months before the expiration of the Lease Agreement, and Chokchai shall agree to the renewal of the Lease Agreement for 10 (ten) years subject to the original terms and conditions contained herein, except for the rental and deposit which will be re-agreed by the parties using the Fair Market Rental.

Clause 3. Representations and Covenants of Chokchai

Chokchai represents and covenants to Fabrinet as follows:

3.1 Right to the Lease Premises

- 3.1.1 Chokchai has the full exclusively lease right to Zones B1, B2, C and E and is entitled to sublet Zones C and E to Fabrinet and to allow Fabrinet to share the use of Zones B1 and B2.
- 3.1.2 Chokchai has the exclusive right to sublet to Fabrinet Zones A, D and F and to allow Fabrinet to use Zone G without consideration, pursuant to the terms of the State Property Lease Agreements and the letter of consent of the Bureau of State Property attached hereto, which has not been cancelled.

3.2 Expropriation

Chokchai shall immediately notify Fabrinet in writing if the government wishes to possess the Land by seizure, vesting in the state, expropriation, confiscation or any other similar means.

3.3 Transfer of Ownership

During the Lease Term under this Agreement or its renewal, Chokchai shall be entitled to transfer the sublet right to the Leased Premises either in whole or in part to any person on the condition that Chokchai shall notify Fabrinet in writing of such transfer at least 60 (sixty) days in advance, and the transferee must agree to be fully bound by the terms and conditions hereof.

3.4 Liabilities for Damage

3.4.1 Chokchai shall not be liable for any damage or danger occurring against the life, body, or properties of Fabrinet, its employees, dependants or persons allowed by Fabrinet to enter the Leased Premises for any reasons whatsoever.

3.4.2 Chokchai shall not be liable for any accident or damage on the Leased Premises due to force majeure or natural hazard. In case of accident or damage from such event, Clause 4.2, paragraph 2 of the Agreement shall apply.

3.5 Utilization of the Leased Premises

Fabrinet shall be entitled to peacefully possess and utilize the Leased Premises without intervention, interference or trespass by Chokchai or any other persons under the responsibility of Chokchai throughout the Lease Term.

3.6 Food Preparation

Fabrinet shall be entitled to establish and maintain canteens, kitchens and food preparation appliances for its employees as Fabrinet may deem necessary.

3.7 Entry and Exit

Fabrinet shall be entitled to fully use the Common Area at all times for entry into and exit from the Leased Premises for the purposes of its business operation throughout the Lease Term.

3.8 Receipts

Chokchai shall issue receipts with stamp duty (if applicable) to Fabrinet for rentals and any other sum received.

Clause 4. Representations and Covenants of Fabrinet

Fabrinet agrees as follows:

4.1 Payment

Fabrinet shall pay rental when due as provided in Clause 2.6 hereof and shall pay for the electricity, water supply and telephone used on the Leased Premises by itself to the relevant organizations, and deliver a photocopy of the receipts to Chokchai as evidence within the month of such payment.

4.2 Insurance

Fabrinet agrees to take out fire insurance for the Buildings and increased risk as well as liability to third parties as may be normally insured in Thailand for its business operation at its own expense, naming Chokchai as the beneficiary. The insurance must be maintained throughout the Lease Term at the replacement value of the Buildings, which value must be acceptable to both parties. Fabrinet shall deliver a copy of all the insurance policy(ies) and evidence of renewal of the insurance policy(ies) to Chokchai within the month of the insurance or its renewal.

During the Lease Term, if the whole or part of the Leased Premises is destroyed or damaged due to fire or any cause that is not the fault of Fabrinet or its dependants, Chokchai shall apply the proceeds from the insurance the premium of which has been paid by Fabrinet pursuant to the first paragraph of this Clause, to the repair of the damaged or destroyed Leased Premises, whereby Chokchai agrees to charge rental in proportion to the usable part during the repair. However, if the Leased Premises cannot be repaired to the original good condition, or if the repair shall take longer than 90 (ninety) days, then Fabrinet shall be entitled to terminate this Agreement whereby both parties agree not to claim any damages from each other. In such a case, Chokchai agrees to return the deposit to Fabrinet pursuant to Clause 2.7 hereof.

4.3 Utilization of the Leased Premises

4.3.1 Fabrinet shall use the Leased Premises only for its business operations as provided in Clause 2.1 hereof, and shall not use the Leased Premises as residence for its employees, dependants or any other persons allowed by Fabrinet to enter the Leased Premises.

4.3.2 Fabrinet agrees not to use or allow the Leased Premises to be used illegally or against public order or good morals, and shall not keep any fuel other than that necessary for its business operations hereunder.

4.3.3 Fabrinet shall take care of, maintain and preserve the Leased Premises from deterioration using care as if a prudent person would preserve his own property, and shall repair and maintain the Leased Premises at its own expense.

4.3.4 Fabrinet shall take care of the Leased Premises to ensure that there is no waste, waste water, rubbish, substance or matter that is toxic and dangerous to human beings, animals and the environment, or that there is no odor causing annoyance, lack of peacefulness or any disturbance on the Leased Premises.

- 4.3.5 Fabrinet agrees to, at its own expense, comply with laws, rules and regulations to apply for licenses necessary for its business operations and use of the Leased Premises, and to pay taxes, duties and fees other than those required by law to be paid by Chokchai or as provided in Clause 2.8 hereof. If Chokchai must be responsible for any expenses which are the responsibility of Fabrinet under this Agreement, Fabrinet agrees to reimburse the same to Chokchai within 7 (seven) days from the date of receipt of written notice from Chokchai.
- 4.3.6 Fabrinet agrees that Chokchai or its representatives may enter the Leased Premises to examine them at all times, provided that Chokchai shall not disturb the business operations of Fabrinet.
- 4.3.7 If Fabrinet abandons the Leased Premises or does not operate its business for a consecutive period of more than 30 (thirty) day without giving any prior written notice to Chokchai, Chokchai shall be entitled to immediately terminate the Agreement without prior written notice to Fabrinet.

4.4 Additions to the Leased Premises

Fabrinet shall not construct, modify, alter, add or remove any part of the Leased Premises, including installation of any signboard, advertisement display or any sign except with the prior written consent of Chokchai, which consent shall not be unreasonably withheld. All such constructions, additions or fixtures shall be deemed part of the Leased Premises.

Upon termination of this Agreement for any reasons, Fabrinet shall not remove the constructions, additions or fixtures and those properties shall be vested in Chokchai according to their conditions on the termination date of the Agreement, whereby Fabrinet shall have no right to claim any compensation from Chokchai, unless those properties may be nature removed without any damage to the Leased Premises or unless the parties have agreed otherwise in writing.

4.5 Subletting or Assignment of the Lease Right

Fabrinet shall be entitled to sublet the Leased Premises, the Land, factories and the Common Area either in whole or in part to any person as Fabrinet may deem appropriate with the prior written consent of Chokchai, which consent shall not be unreasonably withheld. Such subletting shall be subject to the terms and conditions hereof. Chokchai shall provide co-operation in the registration of the sublease and of the right to use the Common Area. Fabrinet or the sublessee shall bear all expenses in the registration of the sublease. Although the written consent is received, Fabrinet shall still be liable for violation or breach of the Agreement as well as damage occurring against the Leased Premises or against Chokchai by the act of the sublessee.

4.6 Liabilities for Damage

Fabrinet shall be liable for any damage occurring against the Leased Premises due to the willful act or negligence of its employees, dependants or any other persons allowed by Fabrinet to enter the Leased Premises, and shall repair the Leased Premises into the original good condition at its own expense.

4.7 Delivery upon Termination of the Agreement

Upon termination of the Agreement, Fabrinet shall deliver the Leased Premises to Chokchai in clean, good and usable condition, except for normal wear and tear. Fabrinet and its dependants shall remove all their properties from the Leased Premises and return the Leased Premises to Chokchai immediately without the right to claim any cost of removal from Chokchai.

Clause 5. Breach of the Agreement

5.1 Breach of the Agreement by Fabrinet

- 5.1.1 In case of termination of this Agreement due to the fault of Fabrinet, its employees, dependants or any persons allowed by Fabrinet to enter the Leased Premises, Chokchai shall be entitled to forfeit the deposit and any sums of money received by Chokchai hereunder, and Fabrinet agrees that Chokchai and/or its representatives may seize or repossess the Leased Premises or do any act with the Leased Premises within 15 (fifteen) days from the termination date of this Agreement.
- 5.1.2 If Fabrinet's properties are seized by a court judgement order, or by a court's receivership order in a bankruptcy case, whether temporary or absolute, or if Fabrinet becomes a bankrupt, Fabrinet shall be deemed to have breached the Agreement and this Agreement shall be terminated immediately upon the date of seizure of Fabrinet's properties or the date of receivership order or bankruptcy order, as the case may be.
- 5.1.3 If Fabrinet fails to perform any material obligation provided in this Agreement and fails to complete corrections within 120 (one hundred and twenty) days from the date of receipt of written notice from Chokchai, Chokchai shall be entitled to immediately terminate this Agreement or file a lawsuit to enforce Fabrinet to comply with the Agreement and claim any damages as a result of the breach or failure to comply with the Agreement, and Fabrinet agrees that Chokchai may close down and lock the Leased Premises or repossess the Leased Premises.
- 5.1.4 If Fabrinet fails to pay any rental that becomes due hereunder, Chokchai shall be entitled to immediately terminate this Lease Agreement and Fabrinet shall remove its properties, employees, dependants and any other persons from the Leased Premises within 15 (fifteen) days from the termination date of the Lease Agreement.

5.1.5 If Fabrinet fails to remove its properties, employees and dependants within the period stated in Clause 5.1.4, Fabrinet agrees to pay penalty to Chokchai by Baht 100,000 (One Hundred Thousand only) per day and other actual damages until the properties and dependants have been duly removed from the Leased Premises or until Chokchai is allowed to repossess the Leased Premises and remove all properties remaining on the Leased Premises at Fabrinet's expense and Chokchai shall be entitled to immediately let the Leased Premises to another person.

5.2 **Breach of the Agreement by Chokchai**

5.2.1 In case of termination of this Agreement due to the fault of Chokchai after Chokchai has made full deductions against the debts due from Fabrinet or payable to Chokchai, Chokchai shall return the remaining deposit received under Clause 2.7 to Fabrinet within 7 (seven) days, without prejudice to the right of Fabrinet to claim damages arising from such fault of Chokchai.

5.2.2 If Chokchai fails to perform any material obligation provided herein, and fails to complete corrections within 120 (one hundred and twenty) days from the date of receipt of written notice from Fabrinet, Fabrinet shall be entitled to terminate this Agreement or file a lawsuit to enforce compliance with the Agreement and/or claim any damages as a result of the breach or failure to comply with the Agreement.

Clause 6. Agent's or Brokerage Fees

Both parties agree that there is no agent or broker of Chokchai or Fabrinet in this transaction and no person shall have the right to receive brokerage fee in connection with this transaction.

Clause 7. Force Majeure

Both parties shall not be responsible for any delay or non-performance of obligation hereunder, if such act is prevented, suspended, or hindered as a result of force majeure. The term "force majeure" means the event that cannot be anticipated as defined by the definition of force majeure in the Thai Civil and Commercial Code including any act of God or the act of public enemy, fire, flood, storm, earthquake, war, riot, political unrest, terrorism and intervention by the government or any government agency.

Clause 8. Notices

Any notices hereunder shall be made in writing and sent by hand or by registered mail to the respective addresses of the parties stated above or at other address which the other party has notified in writing from time to time. A notice shall be deemed to have been duly served on the date of dispatch regardless of whether there is any recipient.

Clause 9. Settlement of Dispute

9.1 Upon a dispute between the parties relating to the provisions hereof or payment of any debt hereunder which cannot be settled by the parties, such dispute shall be referred to arbitration for decision.

- 9.2 If the parties cannot agree on the settlement of dispute by a sole arbitrator, settlement of dispute may be made by three arbitrators. One party shall give written notice of the intention to refer the dispute to arbitration, naming the arbitrator appointed by it and notifying the other of the same. Within 30 (thirty) days from the date of receipt of the notice, the notice-receiving party shall appoint the second arbitrator. Thereafter, both arbitrators shall jointly appoint an umpire within 30 (thirty) days from the date of appointment of both arbitrators. The arbitration tribunal shall consider settling the dispute. The arbitration rules of the Arbitration Institution, Ministry of Justice, in force at the time of submission of dispute to arbitrator(s) shall apply mutatis mutandis to the arbitral proceedings. The venue for arbitration shall be in Bangkok and the arbitral proceedings shall be conducted in Thai language.
- 9.3 If any party is unable to appoint its arbitrator within the period specified, or if both arbitrators are unable to agree on the appointment of the umpire, any party may file a petition to the Civil Court, Bangkok, requesting an appointment of the arbitrator or the umpire, as the case may be.
- 9.4 Each party shall bear its arbitrator's fee. All other expenses in connection with the arbitration shall be equally borne by each party. If there is one arbitrator or umpire, the arbitrator(s)'s fee shall be determined by the sole arbitrator or by the umpire, as the case may be.
- 9.5 The decision of the arbitrator or of the arbitration tribunal shall be final and binding on both parties. However, both parties shall be entitled to file a complaint with the Civil Court, Bangkok, to enforce the arbitral award.
- 9.6 Commencement or continuance of arbitral proceedings shall not obstruct the performance of obligation by either party hereunder, and shall not affect the provision concerning time for any purposes hereunder. All provisions concerning time hereunder shall continue unless the arbitrator or the arbitration tribunal, as the case may be, believes that such commencement or continuance, as the case may be, shall have a material impact on the submission of dispute.

Clause 10. Amendments and other Agreements

Amendments to this Agreement shall be made in writing and signed by both parties. If a provision of the amended agreement is in conflict with that of the registered Lease Agreement, both parties agree that the amended agreement shall prevail.

Clause 11. Waiver, Violation or Breach of the Agreement

Failure by any party to demand the other to perform an obligation pursuant to the terms and conditions hereof shall not be deemed as a waiver. In addition, failure to demand the performance of the terms and conditions hereof shall not be regarded as a consent to breach in the same matter or waiver in the other provisions, terms or conditions of the Agreement.

Clause 12. Language

This Agreement is made in Thai language. If this Agreement is translated into other language, the Thai version shall prevail and be deemed conclusive.

Clause 13. Applicable Law

This Agreement shall be governed by and interpreted in accordance with Thai laws.

Clause 14. Severability of Provisions

If any provision or term hereof or the enforcement of this Agreement against any person or in any situation becomes invalid, void or unenforceable under the law, the remaining provisions or terms of this Agreement shall not be thereby affected, and shall be legally valid and enforceable.

This Agreement is made in 2 (two) copies with identical wording. Both parties have thoroughly read and understood the Agreement, and have therefore signed and affixed seals (if any) in the presence of witnesses on the date and at the place stated above. Each party retains one copy of the Agreement.

CHOKCHAI INTERNATIONAL CO., LTD.

FABIRNET CO., LTD.

By _____ Director
 - Signature -
 (Miss Vivien Bhakdeeprasong)

By _____ Director
 - Signature -
 (Mr. Soon Kaewcharnsilp)
 Lessee

By _____ Director
 - Signature -
 (Mr. Chai Bulkul)
 Lessor

Signed _____
 - Signature -
 (Mrs. Mantana Garpsri)
 Witness

Signed _____
 - Signature -
 (Mr. Pornchai Wessatada)
 Witness

ATTACHMENT 1

Map and Land Title Deeds of the Location of the Leased Premises

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ATTACHMENT 2

State Property Lease Agreements

and

Letter of Permission for Sublease of State Property Buildings

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LEASE AGREEMENT

1. **PARTIES TO THIS LEASE AGREEMENT:** The parties to this Lease Agreement (this "Lease") are DONLY CORPORATION, a New Jersey corporation, P.O. Box 344, Mountain Lakes, New Jersey 07046 ("Landlord") and FBN NJ Holdings Corp. DBA VitroCom, a Delaware corporation, having a principal place of business located at 8 Morris Avenue, Mountain Lakes, New Jersey 07046 ("Tenant").
2. **EFFECTIVE DATE OF THIS LEASE:** The effective date of this Lease shall be January 1, 2007.
3. **LEASED PREMISES:** The Landlord has agreed to lease to the Tenant and the Tenant has agreed to rent from the Landlord a portion of the property designated as Lot 1, Block 89 on the tax maps of the Borough of Mountain Lakes and Lot 1, Block 106 on the tax maps of the Town of Boonton, also known as 8 Morris Avenue, Mountain Lakes, Morris County, New Jersey (the "Property") consisting of approximately 21,000 rentable square feet (the "Premises") in the building located on the Property (the "Building"). The Premises includes certain common elements and Tenant's Proportionate Share (as defined below) of the parking spaces at the Property. The Premises are currently occupied by Tenant.
4. **TERM AND USE:** The term of the lease (the "Term") shall commence on January 1, 2007 (the "Commencement Date") and end on June 30, 2010. The Premises may be used and occupied for any lawful manufacturing purpose, including the manufacture of glass products.
5. **BASE RENT:** The Tenant covenants and agrees to pay to the Landlord as rent for and during the Term the sum of Seven Hundred Thousand and 00/100 Dollars (\$700,000.00) and taxes of One Hundred Twenty-one Thousand Eight Hundred and 00/100 Dollars (\$121,800.00) which together shall be payable in monthly installments on the first day of each and every month in the amount of Nineteen Thousand Five Hundred Sixty-six and Sixty-seven cents (\$19,566.67). This payment shall be termed "Base Rent". The fixed tax rate of \$2,900 per month shall be retroactively effective as of January 1, 2006. The parties agree that Tenant shall pay \$2,900 per month for real estate taxes during the Term and Landlord shall not look to Tenant for additional real estate tax payments if real estate taxes are more than \$2,900, nor shall Tenant be entitled to a refund or reimbursement if real estate taxes are less than \$2,900 per month.
6. **ADDITIONAL RENT:** Tenant acknowledges and agrees that this is a net lease and that Base Rent is intended to be absolutely net to Landlord after payment by Tenant of all Additional Rent required to be paid by Tenant pursuant to this Lease, excluding only those costs which Landlord has expressly hereby agreed to pay. In addition to the Base Rent, the Tenant agrees to pay as additional rent ("Additional Rent", and together with Base Rent, "Rent") its Proportionate Share (as defined below) of the following expense items for the Property, prorated as of the Commencement Date, so that the Base Rent shall be absolutely net of an expenses: water taxes/charges levied by the Town of Boonton and/or the Borough of Mountain Lakes; sewer taxes/charges levied by the Borough of Mountain Lakes; snow plowing, lawn maintenance and landscaping costs; refuse collection and disposal costs; and all other actual expenses incurred by the Landlord for the following enumerated items: Base Rent shall however include real estate taxes levied by the Borough of Mountain Lakes and the Town of Boonton;
 - a. Maintenance, repair and replacement of the air-conditioning, ventilation and heating system (HVAC).
 - b. Sprinkler and plumbing system repairs.

- c. Electric repairs.
- d. Sewer pumping system maintenance, repair and replacement.
- e. Fire, public liability and casualty insurance payments as it pertains to insurance coverage for the Property and Building, as opposed to Tenant's insurance for its operations covered in Section 9.

With respect to the HVAC system, Tenant shall obtain and pay for a maintenance contract for the servicing and care of the HVAC equipment at the Premises with AC&R or equivalent.

7. **TENANT'S PROPORTIONATE SHARE:** For purposes of this lease, the Tenant's Proportionate Share of expenses shall mean a fraction whose denominator is the rentable square foot area of the Building, stipulated to be twenty-nine thousand (29,000) square feet, and whose numerator shall be the rentable square foot area of the Premises, stipulated to be twenty-one thousand (21,000) square feet. It is agreed that the Tenant's Proportionate Share shall be seventy-two (72%).

8. **COLLECTION OF ADDITIONAL RENT:** The Landlord shall bill the Tenant for the items set forth in Section 6 when billing occurs to the Landlord. The Landlord shall furnish Tenant with a written statement setting forth the expenses incurred by the Landlord and include such written statement on the monthly rental invoice. Tenant shall pay to Landlord this ADDITIONAL RENT on the first of the month following receipt of the monthly invoice.

9. **LIABILITY AND PROPERTY INSURANCE; WAIVER AND SUBROGATION:**

a. Tenant, at its own expense will maintain with admitted insurers authorized to do business in the State of New Jersey and which are rated "A-/X" or equivalent in Best's Key Rating Guide, or any successor thereto (or if there is none, a rating organization having a national reputation) commercial general liability (in the broadest form then available in New Jersey) against claims for bodily injury, personal injury, death or property damage occurring on, in or about the Premises or as a result of ownership of facilities located on the Premises in amounts not less than \$2,000,000.00 per occurrence/aggregate for bodily injury, personal injury or death, \$2,000,000.00 with respect to anyone occurrence, and \$1,000,000.00 with respect to all claims for property damage with respect to anyone occurrence with an aggregate of \$1,000,000.00. From time to time during the Term such limits shall be increased to the prevailing level customarily carried with respect to similar properties in Morris County, New Jersey and the surrounding area. Tenant shall be responsible to maintain casualty insurance on all of its goods, personal property or effects, including removable trade fixtures located in the Premises. The policy shall insure against all costs, expenses and/or liability arising out of or based upon any and all claims, accidents, injuries, and damages caused to any person or property arising within the Premises or as a result of an act or omission on the part of the Tenant or Tenant's contractors, licensees, agents, invitees, visitors, servants or employees on or about the Property and shall include a contractual liability endorsement evidencing coverage of Tenant's obligation to indemnify Landlord pursuant to Section 23 hereof. Each policy shall be non-cancelable with respect to Landlord without thirty (30) days' prior written notice to Landlord. Prior to the Commencement Date, Tenant shall provide to the Landlord certificates evidencing the procurement of the insurance required under this Section together with proof of payment of the premium therefor.

b. Landlord and Tenant shall each secure an appropriate clause, or an endorsement upon any policy of insurance in force, covering the Property, the Premises, or any personal property, fixtures

and equipment located therein or thereon, including, without limitation, casualty, liability and business interruption policies in force, pursuant to which the respective insurance companies waive subrogation or permit the insured, prior to any loss, to agree with a third party to waive any claim it might have against said third party. The waiver of subrogation or permission for waiver of any claim hereinbefore referred to shall extend to the agents of each party and also extend to all other persons and entities occupying or using the Premises in accordance with the terms of this Lease. In the event that either Landlord or Tenant shall be unable at any time to obtain one of the provisions referred to above in any of its insurance policies, Landlord or Tenant, as the case may be, shall promptly notify the other. Subject to the foregoing provisions of this Section 9(b), and insofar as may be permitted by the terms of the insurance policies carried by it, and notwithstanding any provision of this Lease to the contrary, each party hereby releases the other and its partners, agents and employees (and in the case of Tenant, all other persons and entities occupying or using the Premises in accordance with the terms of this Lease) with respect to any claim (including a claim for negligence) which it might otherwise have against the other party for loss, damages or destruction with respect to its property by fire or other casualty (including rental value or business interruption, as the case may be) occurring during the Term covered by (but only to the extent of the limits of coverage of) such insurance policies.

10. **SPECIFIC REPAIR OBLIGATIONS OF TENANT:** In addition to the obligations undertaken in Sections 5 and 6, Tenant agrees, at its own cost and expense, to make all reasonable and necessary repairs and to keep maintained all equipment fixtures, improvements and property within the Premises. Tenant shall not be obligated to make structural repairs to the building or repairs to the roof; but shall reimburse Landlord for any such repairs the necessity of which is due to any act of Tenant, its contractor, licensee, agent, invitee, visitor, servant or employee. Landlord shall make structural repairs to the building or repairs to the roof in a timely manner.

11. **UTILITY EXPENSES:** The Tenant shall be responsible for payment of its utility expenses.

12. **ASSIGNMENT AND SUBLEASING:** This lease shall not be assigned or sublet in whole or in part without the express written permission of the Landlord, which permission shall not be unreasonably withheld. Notwithstanding the forgoing, this lease may be assigned by Tenant to any affiliate of Tenant, successor by merger or consolidation, or acquirer of substantially all of the business and assets of Tenant ("Affiliate") without the consent of Landlord; provided Tenant shall give notice to Landlord of an assignment to an Affiliate at least ten (10) days prior to the effective date of such assignment and provide Landlord with a copy of the assignment document. No assignment or subletting shall serve to release Tenant from liability hereunder.

13. **PERMITTED SIGNS:** The Tenant shall be entitled to place a sign as permitted by applicable laws and ordinances, subject to Landlord's consent, which shall not be unreasonably withheld.

14. **COMPLIANCE WITH LAWS:** The Tenant shall promptly comply with all laws, ordinances, rules, regulations, requirements and directives of all governmental or public authorities and of all their subdivisions, applicable to and affecting the Premises, their use and occupancy, and shall promptly comply with all orders, regulations requirements and directives of the Board of Fire Underwriters or similar authority and of any insurance companies which have issued or are about to issue policies of insurance covering the Premises and its contents, for the prevention of fire or other casualty, damage or injury, at the Tenant's own cost and expense.

15. **ENVIRONMENTAL REQUIREMENTS:**

a. Definitions.

(i) "Hazardous material" shall mean any substance, the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy, or common law; or (a) which is, or becomes, defined as a hazardous waste, hazardous substance, pollutant, or contaminant (including gasoline, petroleum products and their derivatives) under any federal, state, or local statute, regulation, rule, or ordinance or amendments thereto including, without limitation, the New Jersey Spill Compensation and Control Act ("Spill Act"), N.J.S.A. 58:10-23.11 et seq., (including N.J.A.C. 7:1E Appendix A); the Industrial Site Recovery Act ("ISRA"), N.J.S.A. 13:1K-6 et seq., Water Pollution Control Act, N.J.S.A. 58:10A-1 et seq., the Underground Storage Tank Act, N.J.S.A. 58:10A-2 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as amended, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq.; or (b) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is, or becomes, regulated by any governmental authority, agency, department, commission, board, agency, or instrumentality of the United States, the State of New Jersey or any political subdivision thereof.

(ii) "Environmental Documents" shall mean all environmental documentation in the possession or under the control of Landlord concerning the Property or its environs, including without limitation all sampling plans, cleanup plans, preliminary assessment plans and reports, site investigation plans and reports, remedial investigation plans and reports, remedial action plans and reports or the equivalent, sampling results, sampling result reports, data, diagrams, charts, maps, analyses, conclusions, quality assurance/quality control documentation, correspondence to or from the New Jersey Department of Environmental Protection ("NJDEP") or any other municipal, county, state or federal governmental authority, submissions to the NJDEP or any other municipal, county, state or federal governmental authority and directives, orders, approvals, and disapprovals issued by the NJDEP or any other municipal, county, state or federal governmental authority.

(iii) In this Section, all references to Tenant or Landlord shall mean Tenant or Landlord and Tenant's or Landlord's, employees, agents, contractors, licensees, invitees, assigns, subtenants or occupants, respectively (i.e., any act or omission by any one of Tenant's employees, agents, contractors, licensees, invitees, assigns, subtenants or occupants shall be deemed to be the act or omission of Tenant; any act or omission by any one of Landlord's employees, agents, contractors, licensees, invitees, assigns, subtenants or occupants shall be deemed to be the act or omission of Landlord).

b. Industrial Site Recovery Act Requirements.

(i) Tenant's Standard Industrial Classification Number, as designated in the Standard Industrial Classification Manual prepared by the Office of Management and Budget and in the Executive Office of the President of the United States, is 3674, "Semiconductors and Related Devices". Tenant will immediately notify Landlord of any change in this number during the Term hereof.

(ii) Tenant shall, at Tenant's own expense, comply with the Industrial Site Recovery Act N.J.S.A. 13:1K-6 et seq., the regulations promulgated thereunder and any amending or successor legislation and regulations ("ISRA") in the event of a closing of Tenant's operations, a transfer of Tenant's operations, or a change in the ownership of Tenant. Compliance with the Industrial Site Recovery Act ("ISRA"), N.J.S.A. 13:1 K-6 et seq., shall include, but is not limited to, the preparation and submission of documents for a negative declaration, remedial action workplan, no further action letter, remediation agreement, any investigation, reporting and remediation required by the NJDEP pursuant to this Section (except as otherwise exempted below) or as otherwise set forth in ISRA. If Tenant is required to comply with ISRA, Tenant shall be responsible only for the payment of that portion of the cost of ISRA compliance which is applicable to the discharge of a hazardous materials at the Premises by Tenant during the Term. Landlord shall be responsible for all other ISRA costs, including, but not limited to costs incurred by reason of any prior operations at the Property and/or Premises or because of the operation of other tenants at the Premises.

(iii) Notwithstanding the foregoing, in the event that Tenant's compliance hereunder shall extend beyond the time which this Lease is otherwise set to expire or beyond the time which this Lease is for any reason terminated. Tenant shall be required to continue to pay Rent to Landlord for so long as it shall take for Tenant to satisfactorily discharge its obligations under ISRA. The acceptance of a Negative Declaration by the NJDEP or No Further Action Letter or as otherwise provided in section 6 of P.L. 1983, c. 330 (C.13:1K-11), and sections 13, 16, 17 and 18 of P.L. 1993, c. 139 (C.13:1K-11.2, 13:1K-11.5, 13:1K-11.6 and 13:1K-11.7), shall constitute satisfactory discharge of Tenant's obligations with respect to compliance with ISRA. This provision shall only apply where the discharge of any hazardous material is caused by Tenant. If Tenant begins remediation activities and it is discovered that the discharge of any hazardous material was caused only by Landlord, a prior tenant or owner, or a third party, this provision will not apply. It is understood and agreed with respect to this Section that Landlord shall cooperate fully with Tenant and the NJDEP (and any other governmental agency having authority) in expediting the processing and approval of any and all applications required to be submitted by Tenant and/or executed (without the assumption or admission of liability except as set forth herein), by Landlord in connection with the, discharge of Tenant's obligations under ISRA.

(iv) Tenant shall, at no cost to Landlord, provide all information within Tenant's control reasonably requested by Landlord or the NJDEP, or Division thereof, for preparation of a non-applicability affidavit or other type of submission, should Landlord or NJDEP so request, and Tenant shall promptly execute such affidavit or submission should the information contained in the affidavit or submission be found by Tenant to be complete and accurate and Tenant's execution of such affidavit or submission be required by NJDEP.

(v) Landlord shall provide, at no cost to Tenant, all information reasonably available to it requested by Tenant and reasonably necessary or required for and in connection with the preparation of all ISRA submissions and/or in connection with any requests for information by the NJDEP or any division thereof.

(vi) If ISRA compliance becomes necessary at Premises due to any action or non-action on the part of Landlord or any third party, including but not limited to a change in ownership

of the Premises, a closing of operations, or a transfer of ownership or operations, then Landlord shall comply with ISRA and all requirements of the NJDEP and any division thereof, at Landlord's own expense.

(vii) Tenant and Landlord shall indemnify, defend and hold each other harmless from and against all claims, liabilities, losses, damages, penalties and costs, foreseen and unforeseen, including without limitation counsel, engineering and other professional or expert fees, which the indemnified party may incur resulting directly or indirectly, wholly or partly, from the other's action or non-action with regard to its respective obligations under this Article or breach of its respective representations and warranties under this Article.

c. Additional Environmental Requirements by Tenant.

(i) Tenant shall, at Tenant's sole cost and expense, without notice or demand from Landlord, comply with all the requirements of all county, municipal, state, federal and other applicable governmental authorities, now in force, or which may hereafter be in force to the extent such compliance is required as a result of Tenant's specific manner in which it is using the Premises.

(ii) During the Term, Tenant shall at all times handle any hazardous materials in such fashion as to avoid any discharge of hazardous materials on the site of the Premises. Prior to signing this Lease, Tenant shall supply a list of hazardous materials (including quantities) which Tenant intends to store/utilize at the Premises.

(iii) Tenant agrees that it will register with the New Jersey Department of Environmental Protection and any other applicable federal, state, county or local agency, as required, and within the time periods set forth in the applicable statutes, any underground storage tanks which Tenant uses or installs on the Premises.

(iv) In the event that there shall be filed a lien against the Premises by the New Jersey Department of Environmental Protection, pursuant to and in accordance with the provisions of N.J.S.A. 58:10-23.11f(f), as a result of the Chief Executive of the New Jersey Spill Compensation Fund having expended monies from said fund to pay for "Cleanup and Removal Costs", as such term is defined in N.J.S.A. 58:10-23.11b(d), arising from an intentional or unintentional action or omission of the Tenant, resulting in the releasing, spilling, pumping, pouring, emitting, emptying or dumping of "Hazardous Materials", into waters of the State of New Jersey or onto the lands from which it might flow or drain into said waters, then Tenant shall, within thirty (30) days from the date that Tenant is given notice that the lien has been placed against the Premises or within such shorter period of time in the event that the State of New Jersey has commenced steps to cause the Premises and/or Compliance Area to be sold pursuant to the lien either, at Tenant's option (subject, however, in all respects to any reasonable requirements of Landlord's mortgagee), (a) pay the claim and remove the lien from the Premises, or (b) furnish a cash deposit with the Landlord in the amount of the claim out of which the lien arises, or (c) provide other security reasonably satisfactory to Landlord in an amount sufficient to discharge the claim out of which the lien arises.

(v) Should the Tenant cause the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of hazardous materials into waters or onto lands of the State or into waters outside the jurisdiction of the State resulting in damage to the lands, waters, fish, shellfish, wildlife, biota, air or other resources owned managed or held in trust or otherwise controlled by the State, without having a permit issued by the appropriate governmental authorities, the Tenant shall promptly clean up the same in accordance with the provisions of the New Jersey Spill Compensation and Control Act.

(vi) Tenant further agrees to indemnify, defend and hold harmless Landlord from any and all claims, damages, fines, judgments and penalties, costs, liabilities (including strict liabilities) or losses (including without limitation reasonable attorneys' fees and environmental consultant or expert fees) in connection with the existence and or discharge of any hazardous materials that has taken place at or from Premises as a result of Tenant's acts, negligence, willful misconduct or other acts of the Tenant, Tenant's agents, employees or invitees, including any and all costs incurred by Landlord concerning the investigation and remedial work mandated by any Federal, State, County or local environmental law, regulation or ordinance, including but not limited to, the New Jersey Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et seq., Industrial Site Recovery Act, N.J.S.A. 13:IK-6 et seq., and the New Jersey Water Pollution Control Act, N.J.S.A. 58:10A-1 et seq., and New Jersey Underground Storage Tank Act, N.J.S.A. 58:10A-21 et seq., and the regulations promulgated thereunder and any amending or successor legislation and regulations.

(vii) Landlord reserves the right from time to time, but not more than once a year, except in the event of an emergency, during the Term hereof and any extension, to have the Premises inspected by environmental engineers and/or specialists for the purpose of determining compliance by Tenant with any environmental laws, rules and regulations applicable to Tenant's operations in or about the Premises and with the terms and conditions of this Lease dealing with environmental matters, including without limitation, the provisions of this Section, which inspection shall be at Landlord's sole cost and expense. If the environmental assessment or report resulting from such inspection discloses any non-compliance, Tenant shall immediately following receipt of the environmental assessment take all such steps as are necessary to put the Premises into compliance, including without limitation, cleaning up any spills or other emissions of hazardous and/or toxic substances or wastes, and Tenant shall reimburse Landlord for the cost of the inspection.

16. **ALTERATIONS:** Tenant shall not make or suffer to be made any alterations, additions or improvements to or of the Premises or any part thereof, or attach any fixtures or equipment thereto, without first obtaining Landlord's prior written consent. Any such alterations, additions or improvements to the Premises consented to by Landlord shall, at Landlord's option, be made by Landlord for Tenant's account and Tenant shall pay Landlord for the cost thereof (including a reasonable charge for Landlord's overhead) within ten (10) days after receipt of Landlord's statement. All such alterations, additions and improvements shall (without compensation to Tenant) immediately become Landlord's property (except moveable furniture and trade fixtures) and, at the end of the term hereof, shall remain on the Premises without compensation to Tenant unless Landlord elects by notice to Tenant to have Tenant remove the same, in which event Tenant shall promptly restore the Premises to their condition prior to the installation of such alterations, additions and improvements. Tenant will obtain at Tenant's expense all necessary permits and certificates and Tenant shall furnish Landlord copies of all such permits and certificates.

17. **LIENS:** Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant. In the event that Tenant shall not, within ten (10) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of or defense against the claim giving rise to such lien. All sums paid by Landlord and all expenses incurred by it in connection therewith (including, without limitation, reasonable legal fees and costs), shall create automatically an obligation of Tenant to pay an equivalent amount as Additional Rent, which shall be payable by Tenant on Landlord's demand with interest at the maximum rate per annum permitted by law until paid. For purposes of this Section, "liens" shall include, but not be limited to, mechanic's notices of intention, contractor's liens, stop notices and filing of contracts. Tenant shall require all Tenant's contractors and materialmen to waive any and all rights they may have to file any liens.

18. **FIRE OR CASUALTY:**

- a. If the Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall immediately inform Landlord thereof, and this Lease shall continue in full force and effect, except as hereinafter set forth.
- b. Except as specifically provided in this Section, Tenant agrees that it shall not be relieved of the obligations to pay Rent in case of damage to or destruction of the Premises or Building or any portion thereof. Tenant waives the benefit of any law to the contrary.
- c. If all or a material portion of the Premises are damaged or rendered unusable by fire or other casualty, and the damages to the Premises can, in Landlord's reasonable judgment, be reasonably repaired within one hundred eighty (180) days of the occurrence of such damage, the damages, to the extent covered by insurance and affecting the tenant installation provided or paid for by Landlord, shall be repaired by and at the expense of Landlord and the Rent, until such repair shall be substantially completed, shall abate in proportion to the area of the Premises which was damaged or unusable by Tenant for so long as the Premises, or each such portion thereof, is damaged or unusable, it being the intent that such abatement shall not affect or reduce Landlord's rent insurance coverage. Notwithstanding anything to the contrary herein, Landlord shall not be obligated to repair or restore any personal property of Tenant or any fixtures or Tenant installation not installed by and paid for by Landlord.
- d. If Landlord repairs and restores the Premises in accordance with Section 18.c such repairs and restorations shall be made with all reasonable expedition. After any such fire or other casualty, Tenant shall cooperate with Landlord's restoration by removing from the Premises as promptly as reasonably possible and to the extent reasonably necessary, all of Tenant's and any sublessee's salvageable inventory and movable equipment, furniture, and other property. Tenant's liability for Rent shall resume five (5) business days after written notice from Landlord of substantial completion of repairs to the Premises. For purposes hereof, "substantial completion" shall mean the date upon which Landlord has procured a temporary or permanent certificate of occupancy permitting occupancy of the Premises by Tenant
- e. If all or substantially all of the Premises are damaged or rendered unusable by fire or other casualty, or (whether or not the Premises are damaged in whole or in part) if the Building shall be substantially damaged so that Landlord in its reasonable opinion, cannot rebuild both the Premises

and the Building to their pre-existing condition within one hundred eighty (180) days, then, in either of such events, either Landlord or Tenant may elect to terminate this Lease by written notice to the other, specifying a date for the expiration of the Lease, which date shall not be more than one hundred eighty (180) days after such fire or other casualty, and upon the date specified in such notice the term of this Lease shall expire as fully and completely as if such date were the expiration date of the Term and Tenant shall forthwith quit, surrender and vacate the Premises without prejudice however, to Landlord's rights and remedies against Tenant under the Lease provisions in effect prior to such termination; and any Rent owing shall be paid up to such date and any payments of Rent made by Tenant which were on account of any period subsequent to such date shall be credited against amounts owed by Tenant to Landlord or refunded to Tenant. If neither party terminates the Lease, to the extent of the insurance proceeds available to Landlord therefor, Landlord shall repair and restore the Building and/or the Premises to substantially the same condition in which they were immediately prior to the fire or other casualty, except that Landlord shall not be required to rebuild, repair, or replace any part of Tenant's furniture, fixtures, furnishings, or equipment or any alterations, additions, or improvements made by Tenant to the Premises. Landlord's repair and restoration work shall not exceed the scope of work done in originally constructing the Premises. Landlord shall not be liable for any inconvenience, annoyance, or injury done to the business of Tenant resulting in any way from such damage or the repair therefor, and Tenant's obligations to pay Rent shall continue unabated, except that Landlord shall allow Tenant an equitable reduction of Rent during the time and to the extent the Premises are unfit for occupancy, save for Tenant's fault or negligence herein below described.

f. Notwithstanding anything to the contrary contained in this Section or any law, should the Premises or Building be damaged by fire of other casualty as a result of the negligence of Tenant or any sublessee or any employee, agent or visitor of either, Tenant shall have no right to terminate this Lease and there shall be no abatement of Rent under this Section, and Tenant shall be liable to Landlord for such damage, subject to the other provisions hereof.

19. EMINENT DOMAIN:

a. If all or substantially all of the Premises or a substantial portion of the Building should be acquired or condemned by eminent domain by any governmental authority, then Landlord or Tenant may terminate this Lease as of the date when title vests pursuant to such taking. In such event, the Rent shall be apportioned as of said expiration date and any Rent paid for any period beyond said date and in excess of amounts owing by Tenant to Landlord shall be repaid to Tenant.

b. In the event of a taking of less than all or substantially all of the Premises. Landlord shall have the right to equitably reduce the Premises, Tenant's Proportionate Share and the Base Rent, and this Lease shall continue in full force and effect. Notwithstanding the foregoing. Tenant shall have the right to terminate this Lease if the area of the Premises shall not be reasonably sufficient for Tenant to continue operation of its business.

c. Landlord and Tenant may exercise their respective right(s) to terminate this Lease under Sections 19.a and 19.b by giving written notice to the other within thirty (30) days after the date of the vesting of title in such proceeding, specifying a date not more than fifteen (15) days after the giving of such notice as the date for such termination.

d. Neither Tenant nor any sublessee shall have any claim in any condemnation or eminent domain proceeding for the value of any unexpired term of the Lease with respect to the Premises or any portion thereof, and Tenant hereby assigns to Landlord Tenant's entire interest in any such award. Although Tenant shall not be entitled to any part of the award for such taking or any payment in lieu thereof, Tenant (or any sublessee) may file a separate claim for any taking of fixtures and improvements owned by Tenant (or such sublessee) which have not become Landlord's property, and for moving expenses, provided the same shall in no way affect or diminish Landlord's award.

20. **LANDLORD'S ACCESS TO PREMISES:** Landlord reserves and shall at any time upon reasonable notice and in compliance with Tenant's reasonable security measures have the right to enter the Premises to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder to service and repair HVAC units, water pipes and sprinkler mains, and electrical and telephone risers servicing other parts of the Building, to show said Premises to prospective purchasers or tenants, to alter or repair the Premises or any portion of the Building, and to place "for sale" or "for rent" signs on the Building, all without being deemed guilty of an eviction of Tenant and without abatement of Rent, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. Tenant hereby waives any claim for damages or any inconvenience to or interference with Tenant's business, any loss of quiet enjoyment of the Premises and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock the main door to the Premises but not Tenant's vaults and safes, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said door in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord by any of said means shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of the Premises, or any eviction of Tenant from the Premises or any portion thereof. No provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decoration except as otherwise expressly agreed to be performed by Landlord.

21. **SUBORDINATION, ATTORNMENT, ESTOPPEL CERTIFICATES:**

a. This Lease is junior, subject and subordinate to all ground leases, mortgages and other security instruments of any kind now covering the Property or any portion thereof. Landlord reserves the right to place liens or encumbrances on the Property or any part thereof or interest therein superior in lein and effect to this Lease. This Lease, at the option of Landlord, shall be subject and subordinate to any and all such liens or encumbrances now or hereafter imposed by Landlord without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. Notwithstanding the foregoing, Tenant covenants and agrees to execute and deliver upon request such further instruments evidencing such subordination of this Lease as may be requested by Landlord.

b. Tenant shall at any time and from time to time, upon not less than ten (10) days' prior notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing and in form and substance satisfactory to Landlord certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), and the dates to which the Rent and other charges have been paid in advance, if any, and stating whether or not to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default, of which Tenant may have knowledge. Any such statement delivered pursuant to this Section may be relied upon by any prospective purchaser of the fee of the Property or any mortgagee, ground lessor or other exhibits thereof or any assignee of any such person.

22. **SALE BY LANDLORD:** In the event of a sale or conveyance by Landlord of the Property or any part thereof, the same shall operate to release Landlord from any and all liability under this Lease after the date of such conveyance of title provided the purchaser assumes all of the liabilities of Landlord pursuant hereto. If any security deposit has been made by Tenant, Landlord shall transfer such security deposit to the purchaser, and thereupon Landlord shall be discharged from any further liability in reference thereto.

23. **INDEMNIFICATION:**

a. Except to the extent arising from the negligence or willful misconduct of Landlord, its employees, agents or contractors, Tenant shall indemnify, hold Landlord harmless from and defend Landlord (by counsel reasonably acceptable to Landlord) against any and all claims, loss, costs, damage, expense or liability, including without limitation reasonable attorneys' fees, for any injury or damages to any person or property whatsoever (a) occurring in the Premises, or (b) when such injury or damage has been caused in part or in whole by any act, neglect, fault, or omission of Tenant, its employee, agent, contractor, invitee or licensee (each, a "Tenant Party"). This indemnity shall not require any payment by Landlord as a condition precedent to recovery. In addition, if any person not a party to this Lease shall institute any other type of action against Tenant in which Landlord shall be made a party defendant, Tenant shall indemnify, hold Landlord harmless from and defend Landlord from all liabilities and costs by reason thereof.

b. Except to the extent arising from the negligence or willful misconduct of Tenant, its employees, agents, contractors or invitees. Landlord shall indemnify, hold Tenant harmless from and defend Tenant (by counsel reasonably acceptable to Tenant) against any and all claims, loss, costs, damage, expense or liability, including without limitation reasonable attorneys' fees, for any injury or damages to any person or property whatsoever (a) occurring on the Property (other than within or about the Premises) or (b) when such injury or damage has been caused in part or in whole by any act, neglect, fault, or omission of Landlord, its employee, agent or contractor. This indemnity shall not require any payment by Tenant as a condition precedent to recovery.

24. **NO WAIVER:** No waiver by Landlord of any provision of this Lease or of any breach by Tenant hereunder shall be deemed to be a waiver of any other provision hereof, or for any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act at Tenant. Failure of Landlord to insist upon strict performance of any provision of this Lease shall not be deemed to be a waiver of such provision. No act or omission by Landlord or Landlord's agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless confirmed by Landlord in writing. The delivery of the keys to any employee or agent shall not operate as a termination of the Lease or a surrender of the Premises. The acceptance of any Rent by Landlord following a breach of this Lease by Tenant shall not constitute a waiver of any of Landlord's rights unless such waiver is expressly stated in writing and signed by Landlord.

25. **DEFAULT:**

- a. The occurrence of any of the following shall constitute a default and breach of this Lease by Tenant (a "Default" or "Event of Default"):
- (i) Any failure by Tenant to pay the Rent or to make any other payment required to be made by Tenant hereunder within ten (10) days of date due;

(ii) The abandonment of the Premises by Tenant;

(iii) Any failure by Tenant to observe and perform any of its obligations under this Lease, where such failure continues for fifteen (15) days (except where a different period of time is specified in this Lease) after Landlord has given Tenant written notice or such other notice as may be required by law;

(iv) Tenant makes, or has made, or furnishes, or has furnished, any warranty, representation or statement to Landlord in connection with this Lease, or any other agreement to which Tenant and Landlord are parties, which is or was false or misleading in any material respect when made or furnished;

(v) Any substantial portion of the assets of Tenant is transferred or any material obligation is incurred by Tenant, unless such transfer or obligation is incurred in the ordinary course of Tenant's business or in good faith for fair equivalent consideration, and with Landlord's consent;

(vi) Tenant becomes insolvent as defined in the Federal Bankruptcy Code, admits in writing its insolvency or its present or prospective inability to pay its debts as they become due, is unable to or does not pay all or any material portion (in number or dollar amount) of its debts as they become due permits or suffers a judgment to exist against it which affects Tenant's ability to conduct its business in the ordinary course (unless enforcement thereof is stayed pending appeal), makes or proposes an assignment for the benefit of creditors or any class thereof for purposes of effecting a moratorium upon or extension or composition or its debts, proposes any such moratorium, extension or composition, or commences or proposes to commence any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any federal, state or other law for the relief of debtors;

(vii) Tenant fails to obtain the dismissal, within thirty (30) days after the commencement thereof, of any bankruptcy, reorganization or insolvency proceeding, or other proceeding under any law for the relief of debtors, instituted against it by one or more third parties, or fails actively to oppose any such proceeding, or, in any such proceeding, defaults or files an answer admitting the material allegations upon which the proceeding was based or alleges its willingness to have an order for relief entered or its desire to seek liquidation, reorganization or adjustment of any of its debts;

(viii) Any receiver, trustee or custodian is appointed to take possession of all or any substantial portion of the assets of Tenant, or any committee of Tenant's creditors, or any class thereof is formed for the purpose of monitoring or investigating the financial affairs of Tenant or enforcing such creditors' rights.

b. In the event of any such default by Tenant, then in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the option to immediately terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event that Landlord shall elect to so terminate the Lease then Landlord may recover from Tenant:

(i) any unpaid Rent which shall have accrued at the time of such termination; plus

- (ii) the entire amount of unpaid Rent for the balance of the term which amount shall, at Landlord's option, be immediately due and payable; plus
- (iii) any other amount necessary to compensate Landlord for Landlord's loss or damage caused directly or indirectly by Tenant's failure to perform its obligations under this Lease including, but not limited to, reasonable attorney' fees and costs; plus
- (iv) at Landlord's election, such other amounts in addition to or in lieu of the foregoing, as may be permitted from time to time by applicable law.

c. In the event of any such default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter and to take possession of the Premises and to remove all persons and property from the Premises. Landlord is hereby granted a lien, in addition to any statutory lien or right to distrain that may exist, on all personal property of Tenant in or upon the Premises, to assure payment of the Rent and performance of the covenants and conditions of this Lease. Landlord shall have the right, as agent of Tenant, to take possession of all personal property of Tenant found in or about the Premises including, without limitation, furniture and fixtures of Tenant and, to sell the same at public or private sale and to apply the proceeds thereof to the payment of any monies due or becoming due under this Lease, or to remove all such effects and store same in a public warehouse or elsewhere at the cost of and for the account of Tenant, or any other owner or occupant, Tenant hereby waiving the benefit of all laws exempting property from execution, levy and sale on distress or judgment.

d. In the event of the vacation of or abandonment of the Premises by Tenant, or in the event that Landlord shall elect to re-enter as provided above or shall take possession of the Premises pursuant to legal proceeding or pursuant to any notice provided by law, then if Landlord does not elect to terminate this Lease as provided in this Section, Landlord may from time to time, without terminating this Lease, either recover all Rent as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable with the right to make alterations and repairs to the Premises.

e. In the event that Landlord shall elect to so relet, then rentals received by Landlord from such reletting shall be applied: first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second, to the payment of any cost of such reletting, including but not limited to broker's commissions and reasonable attorneys' fees; third, to the payment of the cost of any alterations and repairs to the Premises; fourth, to the payment of Rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future Rent as the same may become due and payable hereunder. Should any such reletting result in the payment of rentals less than the Rent payable by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Tenant shall also pay Landlord as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

f. No re-entry or taking possession of the Premises by Landlord pursuant to this Section shall be construed as an election to terminate this Lease unless written notice of such intention be given to Tenant. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting, elect to terminate this Lease for any such default.

26. **RIGHT OF LANDLORD TO CURE TENANT'S DEFAULT:** If Tenant defaults in the making of any payment or in the doing of any act herein required to be made or done by Tenant, then Landlord may but shall not be required to make such payment or do such act and charge to Tenant the amount of all costs in connection therewith including but not limited to reasonable legal fees and expenses incurred by Landlord, with interest thereon as provided in Section 33 from the date paid by Landlord to the date of payment thereof by Tenant. Such payment and interest shall constitute Additional Rent hereunder due and payable upon demand but the making of such payment or the taking of such action by Landlord shall not operate to cure such default or to stop Landlord from the pursuit of any other remedy to which Landlord would otherwise be entitled.

27. **NOTICES:** All notices which Landlord or Tenant may be required or may desire to serve on the other may be served, as an alternative to personal service, by serving the same by registered or certified mail, return receipt requested, postage prepaid, or overnight delivery by a nationally recognized courier, addressed as set forth in Item Section 1 hereof, or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other by written notice.

28. **INSOLVENCY OR BANKRUPTCY:**

a. Neither Tenant's interest in this Lease, nor any estate hereby created in Tenant nor any interest herein or therein, shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law except as may specifically be provided pursuant to the Bankruptcy Code.

b. In the event the interest or estate created in Tenant hereby shall be taken in execution or by other process of law or if Tenant is adjudicated insolvent by a Court of competent jurisdiction other than the United States Bankruptcy Court, or if a receiver or trustee of Tenant's property shall be appointed by reason of the insolvency or inability of Tenant to pay its debts, or if any assignment shall be made of Tenant's property for the benefit of creditors, then and in any such events, this Lease and all rights of Tenant hereunder shall automatically cease and terminate with the same force and effect as though the date of such event were the date originally set forth herein and fixed for the expiration of the term, and Tenant shall vacate and surrender the Premises but shall remain liable as herein provided.

c. Tenant shall not cause or give cause for the appointment of a trustee or receiver of Tenant's assets and shall not make any assignment for the benefit of creditors, or become or be adjudicated insolvent. The allowance of any petition under any insolvency law except under the Bankruptcy Code or the appointment of a trustee or receiver of Tenant or of its assets shall be conclusive evidence that Tenant caused, or gave cause therefor, unless such allowance of the petition, or the appointment of a trustee or receiver, is vacated within thirty (30) days after such allowance or appointment. Any act described in this Section shall be deemed a material breach of Tenant's obligations hereunder, and this Lease shall thereupon automatically terminate. Landlord does, in addition, reserve any and all other remedies provided in this Lease or in law.

d. Upon the filing of a petition by or against Tenant under the Bankruptcy Code, Tenant, as debtor or as debtor in possession, and any trustee who may be appointed agree as follows: (1) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; and (2) to pay monthly in advance on the first day of each month as reasonable compensation for use and occupancy of the

Premises an amount equal to all Rent and all other charges otherwise due pursuant to this Lease and (3) to reject or assume this Lease within sixty (60) days of the filing of such petition under Chapter 7 of the Bankruptcy Code or within one hundred twenty (120) days (or such shorter term as Landlord in its sole discretion, may deem reasonable so long as notice of such period is given) of the filing of a petition under any other Chapter; and (4) to give Landlord at least forty-five (45) days' prior written notice of any proceeding relating to any assumption of this Lease; and (5) to give at least thirty (30) days' prior written notice of any abandonment of the Premises; any such abandonment to be deemed a rejection of this Lease; and (6) to do all other things of benefit to Landlord otherwise required under the Bankruptcy Code; and (7) to be deemed to have rejected this Lease in the event of the failure to comply with any of the above; and (8) to have consented to the entry of an order by an appropriate United States Bankruptcy Court providing all of the above.

e. In addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment as contemplated in this Section are the following: (1) the cure of any monetary defaults and the reimbursement to Landlord of pecuniary loss within not more than thirty (30) days of assumption and/or assignment; (2) the reorganized debtor or assignee of such debtor in possession or of Tenant's trustee demonstrates background to meet all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; (3) the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and (5) no physical changes of any kind may be made to the Premises unless in compliance with the applicable provisions of this Lease.

29. SURRENDER AND HOLDOVER:

a. On the expiration or the sooner termination hereof, Tenant shall peaceably surrender the Premises broom clean, in good order, condition and repair. On or before the last day of the term or the sooner termination hereof, Tenant shall at its expense remove its trade fixtures, signs and other personal property from the Premises. Any property not removed shall be deemed abandoned and may either be retained by Landlord as its property, or disposed of, without accountability and at Tenant's expense, in such form as Landlord may determine. If the Premises are not surrendered at the end of the term or the sooner termination, Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in so surrendering the Premises, including, without limitation, claims made by any succeeding tenants founded on such delay. Tenant shall promptly surrender all keys to Landlord at the place then fixed for payments of Rent. Tenant's covenants hereunder shall survive the expiration or sooner termination of this Lease.

b. If Tenant holds over after the expiration or sooner termination hereof without the express written consent of Landlord, Tenant shall become a Tenant at sufferance only at two (2) times the greater of (i) the Rent due hereunder or (ii) the then prevailing market rate rent, as determined by Landlord in its sole and absolute discretion, plus all items of Additional Rent provided herein, and either (i) or (ii) shall be prorated on a daily basis according to the number of days contained in the month that such expiration or earlier termination takes place, and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of Rent after such expiration or earlier termination shall not constitute consent to a holdover hereunder or result in a renewal. The foregoing provisions of this Section are in addition to and do not affect Landlord's rights of re-entry or any other rights of Landlord hereunder or as otherwise provided by law.

c. For past consideration, and notwithstanding any other provision of this Lease, including without limitation, the provisions of Paragraph 16 to the contrary, Tenant shall have no obligation upon surrender of the Premises to restore the Premises to its condition prior to the addition of any alterations or improvements for Tenant's benefit made prior to the Effective Date of this Lease. Without limiting the foregoing, Tenant shall not be responsible for removal of ventilation systems, gas piping for oxygen, hydrogen and natural gas supplied by NJNG for Tenant or its predecessors manufacturing purposes, external gas cylinder storage facility and the Draw Tower decking and walkways, all of which shall be the responsibility and liability of Landlord and Landlord shall indemnify, defend and protect Tenant against any liability therefore.

30. **CONDITION OF PREMISES:** Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises, the Building or the Property or with respect to the suitability thereof for the conduct of Tenant's business. The taking of possession of the Premises by Tenant shall conclusively establish that the Premises were at such time in good order and repair.

31. **LIMITATION OF LANDLORD'S LIABILITY:**

a. Except to the extent arising from the gross negligence of Landlord or its employee, agent or contractor, Landlord and its employees and agents shall not be liable for any damage to Tenant's property entrusted to employees of Landlord or its agents, nor for any loss or interruption of Tenant's possession, nor for loss of or damage to any property by theft or otherwise, nor for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain that may leak from any part of the Premises or Building or from the pipes, appliances or plumbing works therein or from the roof, street or sub-surface or from any other place or resulting from dampness or any other cause whatsoever in the Building or on the Property. Landlord and its employees and agents shall not be liable for any property loss resulting from any latent defect in the Premises or the Building. Tenant shall give prompt notice to Landlord in case of fire, accidents or defects in the Premises. Under no circumstances shall Landlord have any liability for any consequential or punitive damages.

b. Tenant shall look solely to Landlord's estate and property in the Premises (or the proceeds thereof) for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder, and no other property or assets of Landlord or Landlord's partners or members shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to either this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use and occupancy of the Premises.

32. **GOVERNING LAW:** This Lease shall be governed by and construed pursuant to the laws of the State of New Jersey.

33. **ADDITIONAL CHARGES:** Any amount due from Tenant to Landlord which is not paid when due, in addition to other remedies available to Landlord, shall at Landlord's option bear interest which shall be at the lesser of (i) 18% per annum or (ii) the maximum lawful rate per annum computed on the basis of a 365-day-year from the date such payment is due until paid, but the payment of such interest shall not excuse or cure the default. In addition to the foregoing, Landlord may also impose a late charge of 5% of the amount past due, and a charge for reasonable legal fees and costs.

34. **BROKER:** Tenant represents and agrees that it has not directly or indirectly dealt with any real estate broker ("Broker") in connection with this Lease. Tenant agrees to defend, identify and hold Landlord harmless from and against any claims for brokerage commissions or finder's fees arising out of or based on any alleged actions of Tenant with any broker.

35. **ENTIRE CONTRACT:** This Lease contains the entire contract between the parties. No representative, agent or employee of the Landlord has been authorized to make any representations or promises with reference to the within letting or to vary, alter or modify the terms hereof. No additions, changes or modifications, renewals or extensions hereof, shall be binding unless reduced to writing and signed by the Landlord and Tenant.

36. **JURY WAIVER:** To the extent permitted by law, Landlord and Tenant do hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter whatsoever arising out of or in any connection with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, and/or any claim, injury or damage, or any emergency or statutory remedy.

37. **GUARANTY:** Tenant shall deliver to Landlord a Guaranty from Fabrinet Co., Ltd. and an opinion of counsel in the form attached hereto as Exhibit A.

(Remainder of page left intentionally blank - Signature page to follow)

IN WITNESS WHEREOF, the parties have executed these presents as of the day and year first above written.

Witnessed or Attested by:

Donly Corporation

By: /s/ Roy C. Dignes

Name: Roy C. Dignes

Title:

FBN NJ Holdings Corp.

By: /s/ David T. Mitchell

Name: David T. Mitchell

Title: CEO

LEASE GUARANTY

THIS LEASE GUARANTY, by Fabrinet, having an address at Walker House, 87 Mary Street, P.O. Box 908GT, George Town, Grand Cayman, Cayman Islands, British West Indies (the "Guarantor"), in favor of Donly Corporation, a New Jersey corporation, having an address of P.O. Box 344, Mountain Lakes, New Jersey 07046 (the "Landlord").

WITNESSETH:

WHEREAS, the Guarantor has requested Landlord to enter into a lease with FBN NJ Holdings Corp., d/b/a VitroCom (the "Tenant") for approximately 21,000 square feet of rentable area in a building located on property in Boonton, New Jersey and Mountain Lakes, New Jersey for an initial term of three and one-half (3 1/2) years (the "Lease");

WHEREAS, the Landlord has required as a condition to entering into the Lease that the Guarantor guaranty the Lease in the manner hereinafter set forth.

NOW, THEREFORE, to induce the Landlord to enter into the Lease, Guarantor hereby agrees as follows:

1. (a) The Guarantor unconditionally guarantees to the Landlord the full and punctual performance and observance, by the Tenant, of all the terms, covenants and conditions in the Lease contained on Tenant's part to be kept, performed or observed. This Guaranty shall include any liability of Tenant that shall accrue under the Lease for any period preceding as well as any period following the term in the Lease specified, (b) If, at any time, default shall be made by the Tenant in the performance or observance of any of the terms, covenants or conditions in the Lease contained on the Tenant's part to be kept, performed or observed, the Guarantor will keep, perform and observe the same, as the case may be, in place and stead of the Tenant.

2. The Guarantor hereby waives: (a) notice of acceptance of this Guaranty; (b) presentment and demand for any payments due Landlord; (c) protest and notice of dishonor or default to the Guarantor or to any other person or party with respect to the terms of the Lease or any portion thereof; (d) all notices to which the Guarantor might otherwise be entitled under this Guaranty; (e) notice of Tenant's nonpayment, nonperformance or nonobservance; and (f) any demand for payment under this Guaranty.

3. This is a guaranty of performance and payment and not of collection and the Guarantor waives any right to require that any action be brought against the Tenant or to require that resort be had to any credit on the books of the Landlord in favor of the Guarantor or any other person or party.

4. Any act of the Landlord, or the successors or assigns of the Landlord, consisting of a waiver of any of the terms or conditions of the Lease, or the giving of any consent to any manner or thing relating to the Lease, or the granting of any indulgences or extensions of time to the Tenant, may be done without notice to the Guarantor and without releasing the obligations of the Guarantor hereunder.

5. The obligations of the Guarantor hereunder shall not be released by Landlord's receipt, application or release of security given for the performance and observance of covenants and conditions in the Lease contained on Tenant's part to be performed or observed; nor by any modification of the Lease, but in

case of any such modification the liability of the Guarantor shall be deemed modified in accordance with the terms of any such modification of the Lease.

6. The liability of the Guarantor hereunder shall in no way be affected by (a) the release or discharge of the Tenant in any creditors', receivership, bankruptcy or other proceedings, (b) the impairment, limitation or modification of the liability of the Tenant or the estate of the Tenant in bankruptcy, or of any remedy for the enforcement of the Tenant's said liability under the Lease, resulting from the operation of any present or future provision of the Bankruptcy Code or other statute or from the decision in any court; (c) the rejection or disaffirmance of the Lease in any such proceedings; (d) the assignment or transfer of the Lease by the Tenant or the subletting of all or any portion of the leased premises by Tenant; (e) any disability or other defense of the Tenant, or (f) the cessation from any cause whatsoever of the liability of the Tenant.

7. Until all the covenants and conditions in the Lease on the Tenant's part to be performed and observed are fully performed and observed, the Guarantor: (a) shall have no right of subrogation against the Tenant by reason of any payments or acts of performance by the Guarantor, in compliance with the obligations of the Guarantor hereunder; (b) waives any right to enforce any remedy which the Guarantor now or hereafter shall have against the Tenant by reason of any one or more payment or acts of performance in compliance with the obligations of the Guarantor hereunder; and (c) subordinates any liability or indebtedness of the Tenant now or hereafter held by the Guarantor to the obligations of the Tenant to the Landlord under the Lease.

8. This Guaranty shall apply to the Lease, any extension or renewal thereof and to any holdover term following the term thereby granted.

9. Any payment made by the Guarantor pursuant to this Guaranty shall be made free and clear of any and all present or future taxes imposed by _____ or any political subdivision or taxing authority thereof or therein except for any such taxes that the Guarantor is required by law to withhold; provided that if such taxes are required by law to be withheld from any such payment, the Guarantor shall make such withholding, make payment of the amount withheld to the appropriate governmental authority and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by Landlord is equal to the amount that the Landlord would have received had no such taxes been withheld; and provided further that no such additional amounts shall be payable to the Landlord if it is liable for such taxes by reason of (i) the Landlord having some connection with _____ other than a connection arising from this Guaranty or the Lease, or (ii) the failure of the Landlord to comply with any certification requirement concerning the nationality, residence, identity or connection with _____, or any political subdivision or taxing authority thereof or therein, of the Landlord if compliance is required by a statute, treaty or regulation of _____, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from, or reduction in the rate of, such withholding.

10. The Guarantor represents and warrants to Landlord that, as of the date hereof:

- (a) It is duly constituted and validly existing under the laws of _____, and has the power and authority to own its assets and to conduct its business.
- (b) It has full power and authority to execute and deliver this Guaranty and to perform its obligations hereunder.

(c) This Guaranty has been duly authorized, executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject, as to the enforcement of remedies only, to any applicable bankruptcy, insolvency and similar laws affecting the enforcement of creditors' remedies in general.

(d) The Tenant is the wholly owned subsidiary of the Guarantor.

(e) All consents, approvals, filings and registrations with or of any court, governmental authority or regulatory body of _____ or any political subdivision thereof required in connection with the execution, delivery and performance by the Guarantor of the Guaranty have been obtained or made; and the execution, delivery and performance by the Guarantor of this Guaranty will not conflict with or result in a violation of any of the terms or provisions of, or constitute a default under, any law or the regulations thereunder, the Certificate of Incorporation and Bylaws of the Guarantor, or any material agreement or material instrument to which the Guarantor is a party or by which it is bound.

(f) The Guarantor is subject to civil and commercial law with respect to its obligations under this Guaranty, and the execution, delivery and performance of this Guaranty constitute private and commercial acts rather than public or governmental acts. Under the law of _____, neither the Guarantor nor any of its property has any immunity from jurisdiction of any court or any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise).

(g) This Guaranty is in proper legal form under the law of _____ for the enforcement thereof against the Guarantor under the law of _____, and to ensure the legality, validity, enforceability or admissibility in evidence of this Guaranty in _____, it is not necessary that this Guaranty or any other related document be filed or recorded with any court or other authority in _____ or that any stamp or similar tax be paid on or in respect of this Guaranty.

11. Each notice and other communication under this Guaranty shall be in writing. Each notice, communication or document to be delivered to any party under this Guaranty shall be sent by hand delivery or facsimile transmission (promptly confirmed by courier) to it at the address, and marked for the attention of the person (if any), from time to time designated by such party for the purpose of this Guaranty. The initial address and person (if any) so designated by each party are set out opposite such party's signature to this Guaranty. Any communication or document shall be deemed to be received, if sent by facsimile transmission, when the recipient confirms legible transmission thereof or, if sent by hand delivery or by courier, when delivered at the address specified by the addressee for purposes of this Guaranty.

12. With respect to any suit, action or proceeding arising out of or relating to this Guaranty (each, a "Proceeding"), the Guarantor hereby irrevocably submits to the jurisdiction of any United States federal or state court sitting in the State of New Jersey. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such Proceeding brought in such court and any claim that any such Proceeding brought in such court has been brought in an inconvenient forum. The Guarantor hereby agrees that a final judgment in any such Proceeding brought in such court shall be conclusive and binding upon it.

13. The Guarantor hereby irrevocably designates and appoints _____ (the "Process Agent"), with an office on the date hereof of _____, New Jersey as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any Proceeding brought in a United States state or Federal court sitting in the State of New Jersey. Such designation and appointment shall be irrevocable until all obligations have been satisfied under the Lease. The Guarantor shall take any and all reasonable action, including the execution and filing of any and all documents that may be necessary to continue the foregoing designation and appointment in full force and effect and to cause its process agent to continue to act as such. If the Process Agent shall desire to cease so to act, the Guarantor shall, prior to the Process Agent ceasing so to act, irrevocably designate and appoint without delay another such agent in the State of New Jersey and, if requested by the Lender, shall promptly deliver to the Lender evidence in writing of such other agent's acceptance of such appointment.

14. To the extent that the Guarantor hereafter may be entitled, in any Proceeding brought in a United States Federal court sitting in the State of New Jersey, to claim for itself or its properties any immunity (including, without limitation, immunity from service of process, jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment, execution or otherwise), and to the extent that in any such Proceeding in such jurisdiction there may be attributed any such immunity (whether or not claimed), the Guarantor hereby irrevocably undertakes not to claim and hereby irrevocably waives any such immunity, to the fullest extent permitted by law. The parties agree that the terms of this Section 14 shall be governed by the Foreign Sovereign Immunities Act of 1976, as amended from time to time, and the waiver of immunity contained herein shall be given effect in accordance therewith and is intended to be irrevocable for purposes of such Act.

15. Nothing herein shall limit the right of the Landlord to serve legal process in any other manner permitted by law or affect the right of the Landlord to bring any action or proceeding against the Guarantor or its property in the courts of any other jurisdiction.

16. All payments hereunder shall be made in U.S. dollars in same day funds (or such other funds as may, at the time of payment, be customary for the settlement in New York City of international banking transactions in U.S. dollars) at such account as the payee shall specify to the payor in writing. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in U.S. dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the payee could purchase U.S. dollars with such other currency in The City of New York on the Business Day preceding the day on which final judgment is given. The obligation of either party in respect of a sum due from it to the other party hereunder shall, notwithstanding any judgment in a currency (the "judgment currency") other than U.S. dollars, be discharged only to the extent that on the Business Day following receipt by such other party of any sum adjudged to be so due in the judgment currency such other party may in accordance with normal banking procedures purchase U.S. dollars with the judgment currency; if the amount of U.S. dollars so purchased is less than the sum originally due to such other party in U.S. dollars, such first party agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such other party against such loss, and if the amount of U.S. dollars so purchased exceeds the sum originally due to such other party, such other party agrees to remit to such first party such excess.

17. Each reference herein to the Landlord shall be deemed to include its successors and assigns, in whose favor the provisions of this Guaranty shall also inure and who shall be bound by the provisions of this Guaranty. Each reference herein to the Guarantor shall be deemed to include the successors and assigns of the Guarantor (including any successor entity resulting from a merger or consolidation), in whose favor the

provisions of this Guaranty shall also inure and all of whom shall be bound by the provisions of this Guaranty. Upon any merger or consolidation of the Guarantor, the Guarantor shall execute such reaffirmations of this Guaranty as may be requested by the Landlord.

18. No delay on the part of the Landlord in exercising any rights hereunder or failure to exercise the same shall operate as a waiver of such rights; no notice to or demand on the Guarantor shall be deemed to be a waiver of the obligation of the Guarantor or of the right of the Landlord to take further action without notice or demand as provided herein; nor in any event shall any modification or waiver of the provisions of this Guaranty be effective unless in writing nor shall any such waiver be applicable except in the specific instance for which given.

19. In the event of a default under any of the terms of the Lease, Landlord shall have the right to proceed directly and immediately against the Guarantor and such proceeding is not to be deemed an irrevocable election of remedies.

20. This Guaranty is, and shall be deemed to be a contract entered into under and pursuant to the laws of the State of New Jersey and shall be in all respects governed, construed, applied and enforced in accordance with the laws of said State; and no defense given or allowed by the laws of any other state or country shall be interposed in any action or proceeding hereon unless such defense is also given or allowed by the laws of the State of New Jersey.

21. This instrument may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement in writing signed by the Guarantor and the Landlord.

22. Guarantor shall execute and deliver to Landlord such other documents and instruments and take such other actions as may be reasonably requested by Landlord to carry out the transactions contemplated by this Guaranty.

23. If any term or provision of this Guaranty or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Guaranty, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby and all other terms and provisions of this Guaranty shall be valid and enforced to the fullest extent permitted by law.

24. THE GUARANTOR AND THE LANDLORD AGREE THAT ANY SUIT, ACTION OR PROCEEDING, WHETHER CLAIM OR COUNTERCLAIM, BROUGHT BY THE LANDLORD OR THE GUARANTOR ON OR WITH RESPECT TO THIS GUARANTY OR THE LEASE, SHALL BE TRIED ONLY BY A COURT AND NOT BY A JURY. THE LANDLORD AND THE GUARANTOR EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. FURTHER, THE GUARANTOR WAIVES ANY RIGHT THE GUARANTOR MAY HAVE TO CLAIM OR RECOVER, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY SPECIAL, EXEMPLARY, PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE GUARANTOR ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS GUARANTY.

IN WITNESS WHEREOF, the Guarantor has executed and delivered this Guaranty as of the 29 day of December, 2006

WITNESS:

FABRINET

/s/ (unable to make out signature)

By: /s/ David T. Mitchell

Name: David T. Mitchell

Title: CEO

(Translation)

(Thor.Dor. 13)

GARUDA

Stamp duty paid Baht 5Under BorRor volume No. Date September 4, 2006- Signature - -

Land official

LAND SALE AGREEMENT**Description of Land**Land title deed No. 1634 Land No. 6 Survey Page No. 264 Tambol Bangwaitai (Klong 1 Tok) Amphur Klong Luang Province PathumthaniThis Agreement is made on 4 Month September B.E. 2549 (2006) at Land Office of Pathumthani Province, Klong Luang Branch

between	}	Mr. Somchai Boonsri 3 1014 00947 92 1	}	Age	}	69	}	Years	Seller	Nationality	<u>Thai</u>

Child of Mr.Sathien-Mrs.Saiyud residing at Soi Areesamphan 8, Rama VI Road No. 1 Moo Tambon Samsennai Amphur Phayathai Province Bangkok Metropolis

and	}	Fabrinet Co., Ltd. by Mr. Soon Kaewchansilp, Director	}	Age	}	-	}	Years	Purchaser	Nationality	<u>Thai</u>

Child of - residing at Vibhavadeerangsit Road No. 294 Moo 8 Tambol Kukot Amphur Lamlukka Province Pathumthani

Both parties agree to enter into the Agreement with the terms and conditions as follows:

Clause 1. The Seller agrees to sell the above plot of land as a whole to the Purchaser in the amount of Baht 84,318,000 (Baht Eighty Four Million Three Hundred and Eighteen Thousand Only).Clause 2. The Purchaser agrees to purchase the land as mentioned in Clause 1. from the Seller. The Purchaser has made full payment and the Seller has fully received such payment of land.

Clause 3. Only the land is purchased. No lease, no outstanding local development tax.

Clause 4. The land is purchased for use as the location of the factory.

Clause 5. The Purchaser has been granted approval of the Office of the Board of Investment, OrGor 0906/020395 dated August 31, 2006.

This Agreement is made in three originals with identical contents, two originals are for the Land Office and one original is retained by the Purchaser (this original is for the Purchaser).

Both parties, having thoroughly examined and understood the contents of this Agreement, have hereunder affixed their respective signatures or have their fingerprints printed in the presence of witnesses and the Land Official.

(Signature of the Seller) _____ - Signature-

(Signature of the Purchaser) _____ - Signagure-

(Signature of Witness) - Signature-(Mrs. Srisuda Khachornpai)

(Signature of Witness) - Signature-(Mrs. Pissamai Meelab)

This Agreement is made in the presence of:

_____ - Signature - (Mr. Supoj Thammatee) Land Officer

Official Seal

_____ - Signature- Writer

_____ - Signature - Examiner

(Translation)

Talard Si Mum Muang-Rangsit Branch

GARUDA

LAND MORTGAGE AGREEMENT
As Security, totaling 2 title deeds**Description of Land**

Land Title Deed No. 1645,7132 Land No. 21,20 Survey Page No. 275,2175 Tambol Bangwaitai (Klong 1 Tok), Klong Nung (Klong 1 Tok)
Amphur Klong Luang Province Pathumthani, Pathumthani (Thanya Buri) This Agreement is made on 9 Month April B.E. 2547 (2004) at
Land Office of Pathumthani Province, Klong Luang Branch

between {
 Fabrinet Co., Ltd.
 (Mr.Soon Kaewchansilp)
} Age {
 -
} Years Mortgagee Nationality Thai

Child of _____ - _____ residing at Vibhavadeerangsit No. 294 Moo 8 Tambol Kukot Amphur Lam Lukka Province Pathumthani

and {
 TMB Bank Plc.
 Represented by Mr. Viriya
 Viriyasathien
} Age {
 -
} Years Mortgagee Nationality Thai

Child of _____ — _____ residing at Paholyothin Road No. 3000 Moo - Tambol Ladyao Amphur Jatujak Province Bangkok Metropolis

Both parties agree to enter into the agreement with the terms and conditions as follow:

Clause 1. The Mortgagee agrees to mortgage the above plot of land as a whole to the Mortgagee as security for debts of the Mortgagee and Fabrinet owed to TMB Bank Plc. in the amount of Baht 240,000,000.00 (Baht Two Hundred and Forty Million Only) with interest at the rate of 13.00 per cent per year / per month, and agrees to remit such interest once a month on a monthly basis.

Clause 2. The Mortgagee agrees to accept the mortgage of this plot of land as agreed in Clause 1. in all respects.

Clause 3. ~~The Mortgagee has already received money.~~

Clause 4. The structures, other terms and conditions shall be in accordance with the Agreement Annexed to the Mortgage Agreement as Security which shall be deemed part of the Mortgage Agreement.

Both parties agree that the Mortgagee shall keep this land title deed during the term of this Agreement.

This Agreement is made in three originals with identical contents, one original is for the Land Office and the other two originals are retained by each the Mortgagor and the Mortgagee. (This copy is for the Mortgagor)

Both parties, having thoroughly examined and understood the contents of this Agreement, have hereunder affixed their respective signatures or fingerprints printed in the presence of witnesses and the Land Officer.

(Signature of the Mortgagor) _____ - Signature- _____

(Signature of the Mortgagee) _____ - Signagure- (represented under the Power of Attorney dated April 1,2004).

(Signature of Witness) _____ - Signature-(Mr.Kwanchai Aranyavej).

(Signature of Witness) _____ - Signature -(Mrs.Tipkamol Muenlao)

This Agreement is made in the presence of:

_____ - Signature - (Illegible) Land Officer
Official Seal

_____ - Signature – Writer

_____ - Signature – Examiner

(Translation)

TMB Bank Public Company Limited

Agreement Attached to the Mortgage Agreement

Between Fabrinet Co., Ltd. (Mr. Soon Kaewchansilp), of Thai nationality, of No. 294 Moo 8, Vibhavadeerangsit Road, Tambol Kukot, Amphur Lamlukka, Pathumthani province,

Between _____, of _____ nationality, of No. _____, _____ Road, alley/Soi _____, Tambol/Kwaeng _____, Amphur/Khet _____, _____ province,

Between _____, of _____ nationality, of No. _____, _____ Road, alley/Soi _____, Tambol/Kwaeng _____, Amphur/Khet _____, _____ province,

Between _____, of _____ nationality, of No. _____, _____ Road, alley/Soi _____, Tambol/Kwaeng _____, Amphur/Khet _____, _____ province, hereinafter referred to as the "Mortgagor", of the one part;

And

TMB Bank Public Company Limited (by Mr. Viriya Viriyasathien) of No. 3000 Paholyothin Road, Kwaeng Ladyao, Khet Jatujak, Bangkok, hereinafter referred to as the "Mortgagee", of the other part.

Both parties agree to enter into the Agreement attached to the Mortgage Agreement as follows:

1. The Mortgagor is the owner of land under the number indicated in the Land Mortgage Agreement of the Land Office and has agreed to mortgage the land and all buildings and constructions already existing or to be constructed in the future thereon, with the Mortgagee to secure the amount of money which the Mortgagor itself and/or

FABRINET

has already owed, presently owes, or will owe, to the Mortgagee in the amount of Baht 240,000,000.00 (two hundred and forty million only), involving the money which the Mortgagor, person, firm or company, juristic person partnership named above, has or will have drawn from the Mortgagee in excess of the balance in the account of the Mortgagor, firm, person, company or juristic person partnership named above, or involving any amount of money which the Mortgagor, person, firm, company or juristic person partnership named above has already owed, presently owes, or will owe, to the Mortgagee regardless of whether such debt is a monetary one or other debt that may be calculated in money, and regardless of whether it is a debt owed directly to the Mortgagee by the Mortgagor, person, firm, company or juristic person partnership named above, or debt for which the Mortgagor, person, firm, company or juristic person partnership named above is a guarantor or otherwise secures liabilities, for a debt of other person owed to the Mortgagee before, at the time of, or after, the

-execution hereof, including the debt guaranteed by the Mortgagee for the Mortgagor, such person, firm, company, juristic person partnership in favor of a third party, including accessories of debt, i.e. interest, compensation for non-performance, fees and expenses incurred in the enforcement of the mortgage. In particular, it is agreed that if the debtor secured by the mortgage provided by the Mortgagor hereunder is in default, the Mortgagor agrees to waive all rights provided in Sections 688, 689 and 690 of the Civil and Commercial Code, by allowing the Mortgagor to be deemed as a joint debtor with the Mortgagee's debtor. In addition, if the Mortgagee grants to the debtor an extension of time for payment of debt, although the Mortgagor has not been informed of the same or has not given consent thereto, the Mortgagor shall agree to every such extension of time. The Mortgagor shall not raise such extension of time as a defense to release its liabilities hereunder either in whole or in part. In addition, even though the Mortgagee has done any act causing the Mortgagor to be unable to be subrogated, either in whole or in part, to the rights, mortgage, pledge and any other preferential right given by the debtor secured by the mortgage provided by the Mortgagor or any other person to the Mortgagee either before or at the time of execution of this Mortgage Agreement, the Mortgagor shall not raise such act of the Mortgagee as a ground to release the liabilities of the Mortgagor hereunder either in whole or in part.

Because the property mortgaged under the first paragraph is to secure the debt of the Mortgagor or of others existing previously, at present or in the future, the Mortgagor and the Mortgagee agree that where the debt of the Mortgagor or of others secured by the Mortgagee has been paid in full but the mortgage removal has not been registered, the Mortgagor and the Mortgagee agree that the Mortgage Agreement is still effective to secure the debt of the Mortgagor or of others secured by the Mortgagee and owed to the Mortgagee, created at present or to be created in the future.

2. The Mortgagor agrees that this mortgage shall also secure in full the debt of the Mortgagor, firm or person referred to above, owed to the Mortgagee in the following cases:

2.1 [A debt created] because the Mortgagor or the person referred to above has requested the Mortgagee to issue a letter of guarantee for the Mortgagor or the person referred to above or any person in favor of a government agency, state enterprise, person or third party juristic person and/or because the Mortgagor and/or the person referred to above has requested the Mortgagee to accept or aval a bill, and the payment by the Mortgagee due to the performance in accordance with the said request.

2.2 [A debt created] because the Mortgagor or the person referred to above has requested the Mortgagee to open a letter of credit, and the Mortgagee has committed itself to make payment to a third party due to performance in accordance with such request and the debt owed by the Mortgagor or firm or person referred to above, to the Mortgagee in the amount advanced by the Mortgagee and paid to a third party in accordance with the application for opening a letter of credit filed by the Mortgagor or firm or person referred to above, or the debt under a trust receipt whereby the Mortgagor has signed a bill of lading for clearance of goods before payment under an invoice, whether the invoice is made under a letter of credit or is an ordinary one.

3. The Mortgagor agrees to pay interest to the Mortgagee at the rate of 13.00% per annum on the total amount owed by the Mortgagor or the said firm to the Mortgagee. This interest shall be calculated on the daily balance shown in the account of the Mortgagee. The

Mortgagor shall also allow the Mortgagee to charge compound interest in the Mortgagor's account.

4. The Mortgagor agrees that during the term of this Mortgage Agreement, if the Mortgagee considers that the value of the mortgaged property is lower than that at the time of this mortgage and requires the Mortgagor to place other property as additional mortgage to cover the amount owed to the Mortgagee, the Mortgagor shall additionally pledge or mortgage other property to the satisfaction of the Mortgagee as covering the amount owed by the Mortgagor or the person secured by the Mortgagor. If the Mortgagor fails or is unable to perform in accordance with this provision, the Mortgagee shall be entitled to require the Mortgagor to immediately pay debt and to enforce the mortgage.

5. If the mortgaged property is damaged or lost, causing it to lessen in value and to be insufficient to secure the debt owed by the Mortgagor, the Mortgagor shall, without delay, additionally mortgage other property considered by the Mortgagee as having sufficient value to cover the amount of debt. If the Mortgagor fails or is unable to perform in accordance with this provision, the Mortgagee shall be entitled to require the Mortgagor to immediately pay debt and to enforce the mortgage.

6. If after the enforcement of mortgage of the mortgaged property by auction sale and the net proceeds are less than the amount owed together with accessories described above, or after the Mortgagee forecloses the mortgaged property and the value of the mortgaged property is lower than the amount owed together with the said accessories, the Mortgagor agrees to pay the difference to the Mortgagee in full.

7. After the Mortgagee forecloses the mortgaged property and if there are outstanding taxes and duties on the mortgaged property before the date of transfer, the Mortgagor shall be liable to pay in full such taxes and duties to the Mortgagee together with other sums of money incurred by the Mortgagee as a result of payment by the Mortgagee of such taxes and duties.

8. The Mortgagor agrees to maintain and repair at its own expense the buildings, houses and constructions already existing on this plot of land or to be constructed in the future, in sound and good condition throughout the period of the mortgage placed with the Mortgagee.

9. The Mortgagee further agrees to insure the mortgaged property with a company approved by the Mortgagee within 7 days from the date of this Agreement, in an amount equal to the full mortgaged amount and shall maintain the insurance every year during the effectiveness of this Agreement, specifying in the insurance contract the Mortgagee as the beneficiary. The insurance premiums payable to the insurance company shall be solely borne by the Mortgagor. If the Mortgagor fails to take out such insurance and the Mortgagee has itself done so, the Mortgagor agrees to pay the insurance premium already paid by the Mortgagee, in full within 15 days from the date of notification from the Mortgagee. If the Mortgagor is in default of payment of the insurance premium to the Mortgagee, the Mortgagor allows the insurance premium to be added to the principal owed by the Mortgagor, person, company or juristic person partnership referred to above to the Mortgagee. The Mortgagor shall also deliver the insurance policy to the Mortgagee for keeping.

10. While the mortgaged property is still mortgaged hereunder, if the Mortgagor is to grant to others any right to the mortgaged property such as lease, habitation, construction, right of way, borrowing, etc, which prejudices, reduces, derogates and forfeits the right of the Mortgagor itself to the mortgaged property, the Mortgagor must obtain the prior written permission from the Mortgagee. However, if the Mortgagor has already granted any of such rights to others at the time of execution of this mortgage, the Mortgagor must immediately notify the Mortgagee in writing. If the Mortgagor is to renew a right previously granted, the Mortgagor must obtain the prior written permission from the Mortgagee. Any acts done by the Mortgagor in violation of this provision will not be binding on the Mortgagee, and the Mortgagee shall have the right to refuse any such act of the Mortgagor. The Mortgagee shall also have the right to immediately enforce mortgage due to the breach of this provision by the Mortgagor.

11. If there is at any time a contention against the ownership of the Mortgagor of the land and mortgaged or pledged property hereunder, the Mortgagee shall have the right to require the Mortgagor to pay debt and to enforce the mortgage immediately.

12. If the Mortgagor is in breach of, or fails to comply with, any or all of the terms provided above, the Mortgagee shall have the right to require the Mortgagor to pay debt and to enforce the mortgage immediately.

13. All fees and expenses incurred in the mortgage and its removal shall be borne by the Mortgagor.

14. The Mortgagor confirms that its domicile is as indicated above. Accordingly, any notices for the purposes of demand for payment of debt, enforcement of mortgage, or any other notice sent by the Mortgagee to the address indicated above, although not received by the Mortgagor, shall be deemed to be acknowledged by the Mortgagor when it is sent to the said address.

If the Mortgagor has moved its domicile, it shall be the duty of the Mortgagor to notify the Mortgagee in writing of the same. In such a case, any notice to the Mortgagor sent to the new domicile shall be subject to the provisions of the preceding paragraph mutatis mutandis. If the Mortgagor has not notified the Mortgagee of the move of its domicile, the notice sent by the Mortgagee to the Mortgagor under the preceding paragraph shall be deemed to have been validly sent to the Mortgagor pursuant to the preceding paragraph.

The Land Official has asked the parties who would hold the land title deed during the term of this Agreement. The parties agree that the Mortgagee shall hold the land title deed.

In Witness Whereof, the Land Official has read this Agreement to the parties, and the parties have examined this Agreement in the presence of the official and confirmed that it fully reflects their intention. They have therefore signed below.

- Seal -

Signed _____ *-Signature-* Mortgageor
(Mr. Soon Kaewchansilp)

Signed _____ Mortgageor
()

(Translation)

Talard Si Mum Muang – Rangsit Branch

GARUDA

Memorandum of Agreement
on Increase Mortgage Deed as Security No. 1
Under Mortgage Agreement dated April 9, 2004

Lands

Total 2 title deeds

Position 5137 III 7252 – 8 Tambon Bangwaitai (Klong 1 Tok), Klong Nung (Klong 1 Tok) No. 21,20 Survey Page No. 275,2175 Amphoe Klong Luang Title deed Nos. 1645, 7132 Province Pathumthani, Pathumthani(Thanyaburi)

Provincial Land Office Pathumthani Branch Klong Luang
Date 7 Month June B.E. 2548 (2005)

We, Frabrinet Co., Ltd. (by Mr. Soon Kaewchansilp, director) Age - years, the Mortgagor, TMB Bank Plc. (by Miss Sarinya Loyliew), the Mortgagee Race Thai, Nationality Thai, child of _____ residing at house -, Road Paholyothin No. 294, 3000, Tambon Kukot, Ladyao Amphoe Lamlukka, Jatujak, Province Pathumthani Bangkok Metropolis

hereby truly make a Memorandum of Agreement in the presence of the land official as follows:

We agree to increase and accept the increase in money from the mortgage as security No. 1 under the Mortgage Agreement dated April 9, 2004 in the amount of Baht 345,000,000.00 (Baht Three Hundred and Forty-Five Million Only), this time with the interest at the rate of 13 percent per year. The lands were previously mortgaged at Baht 240,000,000.00 (Baht Two Hundred and Forty Million Only), making the total mortgaged amount of Baht 585,000,000.00 (Baht Five Hundred and Eighty-Five Million Only). Other structures, terms and conditions shall be in accordance with the original Agreement.

We, having thoroughly read and understood the contents of this Memorandum of Agreement, have hereunder affixed our respective signatures in the presence of the land official and witnesses.

-Seal-

Signed _____ - Signature - - _____ Mortgagor
by Mr. Soon Kaewchansilp, director

Signed _____ - Signature - - _____ Mortgagee
(Miss Sarinya Loyliew)
(represented under the Power of Attorney dated June 1, 2005)

Signed _____ - Signature - (Illegible) _____ Witness

Signed _____ - Signature - (Illegible) _____ Witness

This Memorandum of Agreement is made in the presence of _____ - Signature - -
Land official Seal

This original copy is for _____ the Mortgagor _____

(Translation)

GARUDA

LAND MORTGAGE AGREEMENT AS SECURITYDescription of Land

Land Title Deed No. 1634 Land No. 6 Survey Page No. 264
 Tambol Bangwaitai (Klong 1 Tok) Amphur Klong Luang Province Pathumthani
 This Agreement is made on 5 Month April B.E. 2550 (2007)
 at Land Office of Pathumthani Province, Klong Luang Branch

between {
 Fabrinet Co., Ltd.
 (by Mrs. Kanchana Srisukho)
 } Age { - } Years Mortgagee Nationality Thai

Child of - residing at - No. 294 Moo 8 Tambol Kukot
 Amphur Lamlukka Province Pathumthani

and {
 TMB Bank Plc.
 (by Mr. Sommit
 Nitimetheewanlop)
 } Age { - } Years Mortgagee Nationality Thai

Child of - residing at Paholyothin Road No. 3000 Moo -
 Tambol Ladyao Amphur Jatujak Province Bangkok Metropolis

Both parties agree to enter into the Agreement with the terms and conditions as follows:

Clause 1. The Mortgagor agrees to mortgage the above plot of land as a whole to the Mortgagee as security for debts of the Mortgagor and/or of Fabrinet owed to TMB Bank Plc. in the amount of Baht 880,000,000.00 (Baht Eight Hundred and Eighty Million Only) with interest at the rate of 15.50 per cent per year, and agrees to remit such interest once a month on a monthly basis.

Clause 2. The Mortgagee agrees to accept the mortgage of this plot of land as agreed in Clause 1. in all respects.

Clause 3.

Clause 4. Other structures, terms and conditions shall be in accordance with the Agreement Annexed to the Mortgage Agreement as Security which shall be deemed part of the Mortgage Agreement.

Both parties agree that the Mortgagee shall keep this land title deed during the term of this Agreement.

This Agreement is made in three originals with identical contents, one original is for the Land Office and the other two originals are retained by each the Mortgagor and the Mortgagee. (This copy is for the Mortgagor)

Both parties, having thoroughly examined and understood the contents of this Agreement, have hereunder affixed their respective signatures or have their fingerprints printed in the presence of witnesses and the Land Official.

(Signature of the Mortgagor) - Signature- (represented under the Power of Attorney dated April 4, 2007)

(Signature of the Mortgagee) - Signature- represented under the Power of Attorney dated March 22, 2007

(Signature of Witness) - Signature- (Mrs. Srisuda Khachornpai)

(Signature of Witness) - Signature - (Mrs. Buathong Yooyen)

This Agreement is made in the presence of:

_____ - Signature - _____ Land Officer
(Mrs. Tippwan Kasemtaweesak)
Official Seal

_____ - Signature - _____ Writer

_____ - Signature - _____ Examiner

(Translation)

TMB Bank Public Company Limited**Agreement Attached to the Land Mortgage Agreement**

Land per details of land No. indicated in the Land Mortgage Agreement dated April 5, 2007

This Agreement attached to the Land Mortgage Agreement is made on April 5, 2007 at TMB Bank Public Company Limited, head office/ Simummuang Market-Rangsit branch.

Between Fabrinet Co., Ltd., of No. 294 Moo 8, Vibhavadeerangsit Road, Tambol Kukot, Amphur Lamlukka, Pathumthani province, juristic person registration No. 0105542073726 and

_____, of No. _____, _____ Road, alley/Soi _____, Tambol/Kwaeng _____, Amphur/Khet _____, _____ province, juristic person registration No. _____ and

_____, of No. _____, _____ Road, alley/Soi _____, Tambol/Kwaeng _____, Amphur/Khet _____, _____ province, juristic person registration No. _____ and

_____, of No. _____, _____ Road, alley/Soi _____, Tambol/Kwaeng _____, Amphur/Khet _____, _____ province, juristic person registration No. _____, hereinafter referred to as the "Mortgagor", of the one part;

And

TMB Bank Public Company Limited (by Mr. Sommit Nitimetheewallop) of No. 3000 Paholyothin Road, Kwaeng Ladyao, Khet Jatujak, Bangkok, hereinafter referred to as the "Mortgagee", of the other part.

Both parties agree to enter into the Agreement attached to the Land Mortgage Agreement as follows:

1. The Mortgagor is the owner of land under the number indicated in the said Land Mortgage Agreement and has agreed to mortgage the land and all buildings and constructions already existing or to be constructed in the future thereon, with the Mortgagee to secure the amount of money which the Mortgagor and/or FABRINET, hereinafter referred to as the "Debtor", owes to the Mortgagee, whether it be a loan, bank overdraft loan, bill discount, request for the Mortgagee to issue a letter of guarantee, request for the Mortgagee to accept or avail a bill, other debts relating to a bill, letter of credit, trust receipt, packing credit or any other commercial instruments or credit facility extended by the Mortgagee

whether it is a credit in connection with the international banking facilities, or where the Mortgagor and/or the Debtor is liable to make payment or give property to the Mortgagee, regardless of whether such debt is a monetary one or other debt that may be calculated in money, and regardless of whether it is a debt owed directly by the Mortgagor and/or the Debtor to the Mortgagee or debt for which the Mortgagor and/or the Debtor is a guarantor or otherwise secures liabilities, including all types of debts owed by the Mortgagor and/or Debtor to the Mortgagee, existing before, on or after the date hereof, in the amount of Baht 880,000,000.00 (eight hundred and eighty million only), including interest, compensation payable by the Mortgagor and/or Debtor, insurance premiums and charges that are accessories of debt, fees and expenses incurred in the enforcement of the mortgage. If the Mortgagee grants to the Debtor an extension of time for payment of debt, although the Mortgagor has not been informed of the same or has not given consent thereto, the Mortgagor shall agree to every such extension of time. The Mortgagor shall not raise such extension of time as a defense to release its liabilities hereunder either in whole or in part. In addition, even though the Mortgagee has done any act causing the Mortgagor to be unable to be subrogated, either in whole or in part, to the rights, mortgage, pledge and any other preferential right given by the Debtor or any other person to the Mortgagee either before or at the time of execution of this Mortgage Agreement, the Mortgagor shall not raise such act of the Mortgagee as a ground to release the liabilities of the Mortgagor hereunder either in whole or in part.

Because the property mortgaged under the first paragraph is to secure the debt of the Mortgagor or of the Debtor existing previously, at present or in the future, the Mortgagor and the Mortgagee agree that where the debt of the Mortgagor or of the Debtor has been paid in full but the mortgage removal has not been registered, the Mortgagor and the Mortgagee agree that the Mortgage Agreement is still effective to secure the debt of the Mortgagor or of the Debtor owed to the Mortgagee, created at present or to be created in the future.

In case of a novation, the Mortgagor agrees that the mortgage right given as security for the existing debt shall be assigned to secure the new debt so novated.

2. The Mortgagor agrees that this mortgage shall also secure in full the debt of the Mortgagor and/or Debtor owed to the Mortgagee in the following cases:

2.1 [A debt created] because the Mortgagor or the Debtor has requested the Mortgagee to issue a letter of guarantee for the Mortgagor and/or Debtor or any person in favor of a government agency, state enterprise, person or third party juristic person and/or because the Mortgagor and/or Debtor has requested the Mortgagee to accept or aval a bill, and the payment by the Mortgagee due to the performance in accordance with the said request.

2.2 [A debt created] because the Mortgagor and/or the Debtor has requested the Mortgagee to open a letter of credit, and the Mortgagee has committed itself to make payment to a third party due to performance in accordance with such request and the debt owed by the Mortgagor and/or Debtor to the Mortgagee in the amount advanced by the Mortgagee and paid to a third party in accordance with the application for opening a letter of credit filed by the Mortgagor and/or Debtor, or the debt under a trust receipt whereby the Mortgagor has signed a bill of lading for clearance of goods before payment under an invoice, whether the invoice is made under a letter of credit or is an ordinary one.

3. The Mortgagor agrees to pay interest to the Mortgagee at the default interest rate charged by the Mortgagee to a defaulting or breaching debtor, which, at the time of execution of this

Agreement, is equal to 15.50% per annum on the mortgage amount presently existing, including all debts to be created in the future and owed by the Mortgagor and/or Debtor to the Mortgagee. Both parties agree that the said interest rate may be increased or decreased as the Mortgagee may from time to time announce in the future. The interest shall be charged according to the custom and procedure of the Mortgagee, and the Mortgagor and/or Debtor shall pay such interest to the Mortgagee every month. In case of default of payment of interest on a debt under bank overdraft or debt in a current account, the Mortgagor agrees that the Mortgagee may charge compound interest according to the commercial bank's custom.

4. The Mortgagor agrees that if in the future the Mortgagee considers that the value of the mortgaged property is not sufficient to pay the debt in full to the Mortgagee, the Mortgagor agrees to immediately place with the Mortgagee other property approved by the Mortgagee as additional security so as to cover the entire debt upon notification by the Mortgagee to the Mortgagor.

In the appraisal of the property lessening in value during the term of the Mortgage Agreement, the Mortgagor agrees that the Mortgagee may appoint any person who is an expert on the mortgaged property hereunder to conduct appraisal, and the price appraised by the expert shall be deemed the price acceptable to the Mortgagor as conclusive without any objections whatsoever.

5. If after the enforcement of mortgage of the mortgaged property by auction sale and the net proceeds are less than the amount owed together with accessories described above, or after the Mortgagee forecloses the mortgaged property and the value of the mortgaged property is lower than the amount owed together with the said accessories, the Mortgagor agrees to pay the difference to the Mortgagee in full.

6. After the Mortgagee forecloses the mortgaged property and if there are outstanding taxes and duties on the mortgaged property before the date of transfer, the Mortgagor shall be liable to pay such taxes and duties to the Mortgagee together with other sums of money incurred by the Mortgagee as a result of payment by the Mortgagee of such taxes and duties, in full together with interest at the rate provided in Clause 3 hereof.

7. The Mortgagor agrees to maintain and repair at its own expense the buildings, houses and constructions already existing on this plot of land or to be constructed in the future, in sound and good condition throughout the period of the mortgage placed with the Mortgagee.

8. The Mortgagor agrees to insure the mortgaged property with an insurance company deemed appropriate by the Mortgagee, in the insured amount covering the full mortgage amount or value of the mortgaged property at all times until completion of payment of debt by the Mortgagor, and shall deliver to the Mortgagee for keeping the insurance policy naming the Mortgagee as the sole beneficiary or recipient of compensation. The Mortgagor allows the Mortgagee to take out insurance, renew the insurance policy, increase or decrease the insured amount, change, revise or cancel any terms relating to the insurance on behalf of the Mortgagor. The Mortgagor agrees to solely bear insurance premiums and all expenses involved.

9. If the mortgaged property is used in a business requiring a permission or concession or other similar authorization from the government and/or municipality and/or sanitary and/or officials and/or any other persons, or if the use of the mortgaged property requires consent and/or permission by any other persons whether by requirements of law or a contract, and if the

Mortgagee and/or the purchaser of the mortgaged property from mortgage enforcement requires, the Mortgagor shall transfer the license and/or concession and/or other similar authorization as well as the consent and/or permission for use. In this connection, the Mortgagor shall arrange, and/or provide cooperation, for the said transfer to be carried out properly and promptly.

10. While the mortgaged property is still mortgaged hereunder, if the Mortgagor is to grant to others any right to the mortgaged property such as lease, habitation, construction, right of way, easement, etc, which prejudices, reduces, derogates and forfeits the right of the Mortgagor itself to the mortgaged property, the Mortgagor must obtain the prior written permission from the Mortgagee. However, if the Mortgagor has already granted any of such rights to others at the time of execution of this mortgage, the Mortgagor must immediately notify the Mortgagee in writing. If the Mortgagor is to renew a right previously granted, the Mortgagor must obtain the prior written permission from the Mortgagee. Any acts done by the Mortgagor in violation of this provision will not be binding on the Mortgagee, and the Mortgagee shall have the right to refuse any such act of the Mortgagor.

11. If there is at any time a contention against the ownership of the Mortgagor of the land and mortgaged property hereunder, the Mortgagee shall have the right to require the Mortgagor to pay debt and to enforce the mortgage immediately.

12. If the Mortgagor is in breach of, or fails to comply with, any or all of the terms provided herein, the Mortgagee shall have the right to require the Mortgagor to pay debt and to enforce the mortgage immediately.

Where the Mortgagee has the right to enforce mortgage hereunder, the Mortgagor shall allow the Mortgagee to exercise the right to enforce the mortgage immediately without having to require the Debtor to pay debt first.

13. All fees and expenses incurred in the mortgage and its removal shall be borne by the Mortgagor.

14. All communications, notices, demands or any other letters sent to the Mortgagor, whether by registered or unregistered mail, or by hand, to the address indicated above, shall be deemed to have been duly sent to the Mortgagor, regardless of whether there is a recipient. If it cannot be sent because the Mortgagor has moved, or the said address has changed or been removed without written notice of move, change or removal from the Mortgagor to the Mortgagee, or in the transmission by telex or fax or electronic mail to the number or address notified by the Mortgagor to the Mortgagee, the Mortgagor shall be deemed to be aware of the contents of the letter, telex, fax or electronic mail.

15. If the provisions of the Land Mortgage Agreement of the Land Office are in conflict with those of this Agreement attached to the Land Mortgage Agreement, the latter shall prevail. Both parties also agree that this Agreement attached to the Land Mortgage Agreement is deemed part of the Land Mortgage Agreement.

The Land Official has asked the parties who would hold the land title deed during the term of this Agreement. The parties agree that the Mortgagee shall hold the land title deed.

In Witness Whereof, the Land Official has read this Agreement to the parties, and the parties have examined this Agreement in the presence of the official and confirmed that it fully reflects their intention. They have therefore signed and affixed seal (if any) in the presence of witnesses on the date written above.

Signed _____ *-Signature-* Mortgagor
(Mrs. Kanjana Srisukho)

(Acting under the power of attorney dated April 4, 2007)

Signed _____ Mortgagor
()

Signed _____ Mortgagor
()

Signed _____ Mortgagor
()

Signed _____ *-Signature-* Mortgagee
(Mr. Sommit Nitimetheewallop)

(Acting under the power of attorney dated March 22, 2007)

Signed _____ Witness
()

Signed _____ Witness
()

This Agreement is made before the Land Official in 3 copies with identical wording. One copy is kept at the Land Office, one by the Mortgagor and another one by the Mortgagee.

Land Official
Official seal affixed

Stamp duty paid Baht 5 TorDor13
 Under BorRor volume 46-069975
 No. 47
 Date April 9, 2004
 - Signature -

(Translation)

GARUDA

Land official

LAND SALE AGREEMENT**Description of Land**

Land Title Deed No. 7132, 1645 Land No. 20,21 Survey Page No. 2175,275
 Tambol Klong Nung (Klong 1 Tok) Amphur Klong Luang
 Province Pathumthani (Thayaburi)

This Agreement is made on 9 Month April B.E. 2547 (2004)
 at Land Office of Pathumthani, Klong Luang Branch

between { Thai Day Dot Com Co., Ltd. } Age { - } Years Seller Nationality Thai
 by Mr.Boonyarat Winyakanont }

Child of - residing at - No. 102/1 Moo -
 Tambol Chanasongkram Amphur Phranakorn
 Province Bangkok Metropolis

and { Fabrinet Co., Ltd. } Age { - } Years Purchaser Nationality Thai
 By Mr. Soon Kaewchansilp, director }

child of - residing at - No. 294 Moo 8 Tambol Kukot Amphur
Lamlukka Province Pathumthani

Both parties agree to enter into the Agreement with the terms and conditions as follows:

Clause 1. The Seller agrees to sell the above land as a whole to the Purchaser in the amount of Baht 120,000,000
 (Baht One Hundred and Twenty Million Only)

Clause 2. The Purchaser agrees to purchase the above land in Clause 1 from the Seller. The Purchaser has already made payment and the Seller has already received such payment for this land.

Clause 3. The land is sold together with the one-storey wooden house, No. 5/6, Moo 6, having a size of 6 x 8 meters. The house was built for 19 years and is subject to the specific business tax. No local development tax payment is due. The house is purchased for use as the location of the manufacturing factory. The Purchaser has been granted permission by the Office of the Board of Investment to hold the ownership of land under the Promotion Certificate No. 1414/2543, 1416/2543 dated July 21, 2000 under the letter No. OrGor 0906/2632 dated February 18, 2004.

This Agreement is made in two original copies having identical contents, one copy is for the Land Office and another one is for the purchaser. (this copy is for the purchaser).

Both parties having thoroughly examined and understood the contents of this Agreement have their signatures affixed or have their fingerprints printed in the presence of witnesses and the Land official.

(Signature of Seller)- Signature - represented under Power of Attorney dated April 8, 2004

(Signature of Purchaser) - Signature - Fabrinet Co., Ltd.

(Signature of witness) - Signature - Mr.Kwanchai Aranyavej

(Signature of witness) - Signature - Mrs. Tipkamol Muenlao

This Agreement is made in the presence of:

- Signature - Land official
(Mr.Supoj Thammathira)
Seal

- Signature- Writer

Mr.Kwanchai Aranyavej Examiner

GARUDA

Stamp duty paid Baht 5
 Under BorRor volume 46-069975
 No. 48
 Date April 9, 2004
 - Signature-
 Land official

SALE AGREEMENT**Land****Registration**

Tambol Klong Nung Moo 6 Volume _____ Amphur Klong Luang
 Page _____, Pathumthani Province, Register No. _____
 Land area _____ rai, _____ ngarn _____ Sq.wah

Sale of one-storey factory building, no address number, located on Moo 6, Tambon Klong Nung, Amphur Klong Luang, Pathumthani Province, having a size of approximately 72 x 148 meters with an area for utilization of approximately 10,656 square meters. The building was built for approximately 18 years, located on the land title deed no. 1645 and 7132, Amphur Klong Luang, Pathumthani Province, ownership of which is held by Thai Day Dot Com Co., Ltd.

This Agreement is made on 9 Month April B.E. 2547 (2004)
 at Land Office of Amphur Klong Luang, Province Pathumthani

between { DGT Co., Ltd. } Seller Age { - } Years Nationality Thai
 by Mr.Boonyarat Winyakanont, (for)
 - Signature -

Child of _____ - _____ residing at _____ - _____ No. 5/6 Moo 6
 Tambol Klong Nung Amphur Klong Luang Province Pathumthani

and { Fabrinet Co., Ltd. } Purchaser Age { - } Years Nationality Thai
 By Mr. Soon Kaewchansilp, director

Child of _____ - _____ residing at _____ - _____ No. 294 Moo 8 Tambol Kukot Amphur
Lamlukka Province Pathumthani

Both parties agree to enter into the Agreement with the terms and conditions as follows:

Clause 1. The Seller agrees to sell the above building to the Purchaser in the amount of Baht 40,000,000
(Baht Forty Million Only).

Clause 2. The Purchaser agrees to purchase the above building in Clause 1 from the Seller (payment thereof has been made already).

Clause 3. The building has been acquired through construction and is subject to specific business tax, for use as a factory building. Data General Thailand Co., Ltd. has changed its name to DGT Co., Ltd.

Clause 4. There is no outstanding debt arising from expenses under Section 18.

This Agreement is made in two original copies having identical contents, one copy is for the Office of Amphur or King Amphur, the other is retained by _____(this copy is for_____).

Both parties, having thoroughly known and understood the contents of this Agreement, have their signatures affixed or have their fingerprints printed in the presence of witnesses.

(Signature of _____) - Signature – represented under Power of Attorney dated April 9, 2004

(Signature of _____) - Signature - Fabrinet Co., Ltd.

(Signature of witness) _____ - Signature - Mr.Kwanchai Aranvej

(Signature of witness) _____ - Signature – Mrs. Tipkamol Muenlao

Signed _____ -Signature - - Competent official who registers right and juristic act.

Title (Mr. Supoj Thammathira)

Seal

_____ - Signature- _____ Writer

_____ Mr.Kwanchai Aranvej _____ Examiner

Note: Information in this document marked with a “[*]” has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.**



CONTRACT MANUFACTURING AGREEMENT

THIS CONTRACT MANUFACTURING AGREEMENT is made effective as of November 15, 2004 (**Effective Date**) between JDS Uniphase Corporation, having offices at 1768 Automation Parkway, San Jose, California, 95131, on behalf of itself and its affiliates and subsidiaries (collectively, **JDSU**) and **Fabrinet** having offices at 294 Moo 8, Vibhavadi Rangsit Road Kookot, Lamlooka Pathumthani, Thailand 12130, on behalf of itself and its affiliates and subsidiaries (collectively, **Supplier**).

WHEREAS, on the terms and conditions of this Agreement, JDSU desires that Supplier, and Supplier has agreed to, manufacture and supply exclusively to JDSU the Product (defined below);

AND WHEREAS the parties have executed a non-disclosure agreement to bind each other to certain obligations of confidentiality and intend that the NDA (defined below) binds the parties hereto;

AND WHEREAS the parties' mutual intent and objective in entering into this Agreement is for Supplier to manufacture the Product for exclusive supply to JDSU;

NOW THEREFORE, in consideration of the mutual covenants herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, JDSU and Supplier agree as follows:

1. DEFINITIONS

In this Agreement, in addition to other terms that may be defined in this Agreement, including the recitals hereto, the following terms, when the first letter is capitalized, whether in singular or plural form, as appropriate, have the meanings set forth in this Section and all words importing gender include the masculine, feminine and neuter genders:

- 1.1 **Agreement** means this contract manufacturing agreement, including all Product Schedules and other Schedules to this Agreement, as may be amended from time to time in accordance with this Agreement.
- 1.2 **Basic IP** means Intellectual Property developed, licensed to or obtained by a party independently of this Agreement, before or after its Effective Date.
- 1.3 **Blanket Purchase Order** means a non-binding purchase order that does not set forth a Delivery Date.
- 1.4 **Delivery Date** means the date the Products must be delivered to the Delivery Location, as specified on a Purchase Order or Release, or as otherwise agreed to by the parties in writing.
- 1.5 **Delivery Location** means the location to which the Products must be delivered, as specified in a Purchase Order or Release, or such other location requested by JDSU.
- 1.6 **Effective Date** means the date first shown above.
- 1.7 **Employee Acknowledgement** means that acknowledgement in the form designated by JDSU, to be executed by certain employees of Supplier that visit JDSU's facilities or that receive JDSU's Confidential Information (as that term is used in the NDA).
- 1.8 **Facility** means the segregated, locked, walled, restricted access space, which Supplier uses exclusively for the manufacture of the Product at Supplier's existing manufacturing facility located as designated in the Product Schedule or such other Supplier manufacturing site(s) approved by JDSU in writing.
- 1.9 **Facility Specifications** means JDSU's requirements relating to the design and set-up of the Facility and the required equipment and standards to be used at the Facility, as may be described in the applicable Product Schedule as amended by JDSU from time to time on reasonable notice to Supplier.
- 1.10 **Improvement** means Intellectual Property that is developed by a party while performing its obligations under this Agreement that incorporates, exploits, or cannot be used without employing all or any part of either party's Basic IP.

- 1.11 **Intellectual Property** means all patents, applications for patents, discoveries, inventions, trade secrets, know-how, confidential information, copyrights (including without limitation moral rights), works of authorship, including computer programs and software, industrial design, topographies, mask works, and other intellectual property rights recognized in any jurisdiction. For any definition relating to JDSU's Intellectual Property, Intellectual Property shall also include Know-how.
- 1.12 **JDSU Consigned Items** means, collectively, the JDSU Equipment and JDSU Material that JDSU (and/or its affiliates and subsidiaries) provides to Supplier on a consignment basis, as listed as of the Effective Date in the Equipment Loan Agreements (Singapore and Indonesia). Any JDSU Equipment and JDSU Material subsequently provided to Supplier and/or its affiliates and subsidiaries shall be subject to the terms of Loan Agreement attached as Schedule G hereto (collectively, **the Equipment Loan Agreements**).
- 1.13 **JDSU Equipment** means the tooling, fixtures, appurtenances, test hardware and software, equipment and any other items provided or to be provided by JDSU to Supplier (whether sold, licensed or consigned), as listed in the applicable Product Schedule.
- 1.14 **JDSU Material** means any components and other materials used in the Product, or in the manufacture or testing of the Product, to be provided by JDSU to Supplier (whether sold, loaned, licensed or consigned) as listed in the applicable Product Schedule.
- 1.15 **JDSU Property** means collectively, JDSU Material, JDSU Equipment, JDSU Intellectual Property delivered by JDSU to Supplier pursuant hereto and all Improvements and New Technology owned by JDSU.
- 1.16 **JDSU Supplied Items** means JDSU Equipment and JDSU Material that Supplier purchases from JDSU, as listed in the applicable Product Schedule.
- 1.17 **Know-how** means, for any definition relating to JDSU's Know-how, the Manufacturing Procedures, the Product Specifications and any information, including but not limited to, confidential information, trade secrets, engineering, research, manufacturing and technical data, designs, drawings, blueprints, specifications, instruction manuals, procedures, assembly methods, facilities, skills, know-how, prices, catalogues, and lists of suppliers relating to the manufacture, use, testing and sale of the Product, JDSU Material and JDSU Equipment, as disclosed orally, visually, in writing, or otherwise to Supplier or Supplier's employees by JDSU, and as may be developed or acquired by JDSU through JDSU's efforts and transmitted to Supplier during the Term. Without limiting the generality of the foregoing, Know-how includes the information that may be attached to, or referenced in, the applicable Product Schedule and which may be updated from time to time by JDSU.
- 1.18 **Lead Time** means the period of time, as may be specified in the applicable Product Schedule, between the date a Purchase Order or Release is received by Supplier and the date Supplier shall have the Products at the Delivery Location.
- 1.19 **Manufacturing Procedures** means those manufacturing, testing and packaging processes, procedures and specifications relating to the Product as determined from time to time by JDSU and communicated in writing to Supplier, including without limitation those described in the applicable Product Schedule.
- 1.20 **New Process Technology** means New Technology other than New Product Technology which relates to the manufacture and supply of the Product, including without limitation, any processes, procedures, methods, tooling, fixtures, appurtenances, test hardware, software or equipment.
- 1.21 **New Product Technology** means New Technology that relates to the Product, including without limitation, the design, layout, specifications or component parts or any New Technology that is solely, uniquely or specifically related to the Product or the manufacture, test or packaging of the Product.
- 1.22 **New Technology** means Intellectual Property that is developed solely by a party or jointly by the parties while performing their obligations under this Agreement and which is not an Improvement.
- 1.23 **NDA** means the non-disclosure agreement between the parties attached as Schedule A hereto, and hereby incorporated by reference into this Agreement.
- 1.24 **Prices** means the prices to be charged by Supplier to JDSU for each Product as set out in the applicable Product Schedule, as may be revised from time to time in accordance with this Agreement, and as may be otherwise agreed to by the parties in writing from time to time.

- 1.25 **Product** means the item listed in a completed Product Schedule executed by the parties, which shall fully comply with the applicable Specifications.
- 1.26 **Product Schedule** has the meaning assigned in Section 2.1, and includes any amendment to a Product Schedule made by mutual written agreement of the parties.
- 1.27 **Product Specifications** means those technical and functional requirements, specifications and other requirements pertaining to the Product determined and provided in writing by JDSU and comprising, in part, any portion of the Know-how.
- 1.28 **Purchase Order** means, in the case of Supplier, where applicable, the purchase order submitted by Supplier to JDSU, and accepted by JDSU to purchase JDSU Supplied Items from JDSU, and, in the case of JDSU, the purchase order submitted by JDSU to Supplier and accepted by Supplier in connection with the supply of a specified quantity of Products to JDSU in accordance with this Agreement.
- 1.29 **Release** means a release order requesting and authorizing Supplier to deliver a specified quantity of Products covered by a Blanket Purchase Order, on a specified Delivery Date.
- 1.30 **Rolling Forecast** means JDSU's non-binding forecasted Product requirements which JDSU provides to Supplier in accordance with Section 5 of this Agreement.
- 1.31 **Taxes** means all property, municipal, gross receipts, gross revenues taxes, sales, use, value added, goods and services, excise, harmonized and other non-recoverable taxes and other taxes and similar charges required to be paid to any domestic or foreign jurisdiction and all interest and penalties thereon.
- 1.32 **Term** means the initial term and all renewals thereof pursuant to Section 2.2.
- 1.33 **\$ or Dollars** means United States currency as noted otherwise herein.

2. **SCOPE OF AGREEMENT**

- 2.1 **Product Schedule.** Where Supplier wishes to supply, and JDSU wishes to purchase, a Product pursuant to the terms of this Agreement, the parties shall complete and sign a document substantially in the form shown as Schedule B (**Product Schedule**) for that Product. Upon the effective date of such Product Schedule, the supply and purchase of such Product shall be subject to the terms of this Agreement until removal of such Product from this Agreement in accordance with its terms or upon the expiry or earlier termination of this Agreement in accordance with its terms. For greater certainty, the terms of this Agreement shall apply to all Products purchased from Supplier by JDSU, even if not listed in a Product Schedule.
- 2.2 **Term.** Unless earlier terminated in accordance with its terms, this Agreement (a) is effective from the Effective Date and continues for an initial term of three (3) year(s) and (b) shall automatically renew for additional consecutive one (1) year periods after the initial term unless: (i) Supplier receives from JDSU, at least ninety (90) days prior to the end of the initial term or any renewal term, written notice to terminate this Agreement at the end of the then current term; or (ii) JDSU receives from Supplier, at least two hundred and seventy (270) days prior to the end of the initial term or any renewal term, written notice to terminate this Agreement at the end of the then current term. The parties agree that the Contract Manufacturing Agreement effective March 12, 2003 between JDSU and Supplier shall be deemed terminated as of the Effective Date of this Agreement.
- 2.3 **Relationship Management.**
- 2.3.1 **ROE.** JDSU and Supplier agree that day-to-day activities shall be managed in accordance with the latest JDSU revision of the Rules of Engagement document (**ROE**), which is hereby incorporated into this Agreement by reference. Supplier acknowledges having received and understood the ROE.
- 2.3.2 **TQRDC.** From time to time during the Term, JDSU and Supplier shall, when JDSU requests, meet (by telephone, videoconference or in person) (each a **Business and Price Review Meeting**) to discuss Supplier's performance, Prices and other issues relating to this Agreement, including but not limited to, Supplier's performance with regard to technology, quality, responsiveness, delivery and costs (collectively **TQRDC**). At every such meeting, Product Prices shall be reviewed for reductions, and the parties shall agree on the

appropriate Price reductions and the manner and the timing of their implementation, on a fair and reasonable basis. The parties shall also set Price reduction targets for each of the next two (2) calendar quarters based on forecasted volumes and other factors affecting Price including without limitation those listed in Section 9.2, and identify actions and corresponding responsibilities of the parties required to achieve the said target Price reductions. If, following such a meeting, despite good faith negotiation between the parties, Supplier, by its own actions or inaction, has failed to comply with previously agreed targets with respect to Supplier TQRDC, then such failure shall be a material breach of this Agreement and JDSU may, terminate this Agreement pursuant to Section 22.2 and/or cancel all outstanding Purchase Orders and Releases for such Products, without any penalty, cost, or liability, notwithstanding any other provision of this Agreement. Supplier shall also promptly notify JDSU as soon as it becomes aware that any of Supplier's material requirements or obligations under this Agreement is not being met. Within five (5) business days of the date that Supplier becomes aware of such failure, Supplier shall deliver to JDSU a Corrective Action Plan (CAP) detailing the process and timing by which Supplier will correct any failure to meet an applicable TQRDC requirement. If JDSU is not reasonably satisfied with the corrective action proposed in the CAP, or if Supplier fails to provide a CAP within the time required, then JDSU may treat such failure as a material breach of this Agreement and may, terminate this Agreement pursuant to Section 22.2 and/or cancel all outstanding Purchase Orders and Releases for impacted Products, without any penalty, cost, or liability, notwithstanding any other provision of this Agreement.

3. JDSU EQUIPMENT AND MATERIAL

3.1 **Provision of JDSU Material and JDSU Equipment.** JDSU shall provide JDSU Material and JDSU Equipment to Supplier pursuant to the terms and conditions of this Agreement for use by Supplier to manufacture and supply the Products exclusively for and to JDSU pursuant to the terms of this Agreement. Supplier shall use JDSU Material on a "first in, first out" basis to minimize obsolete or unusable material.

3.2 **Storage.** Without limiting any obligations of Supplier under the Equipment Loan Agreements, Supplier shall [***] be responsible for safekeeping at its manufacturing facility all JDSU Material and JDSU Equipment, shall maintain the same in good condition and repair, and shall store the JDSU Material and JDSU Equipment at such facility [***] in a place that meets the requirements of this Agreement. All such JDSU Material and JDSU Equipment, while in the possession and under the control of Supplier, shall be at Supplier's risk.

3.3 **Tracking.** Supplier shall maintain complete and accurate records of the quantity of JDSU Material received from JDSU, along with the quantity used in Products shipped to JDSU and quantity wasted in the manufacture, test and supply of Products. Supplier shall provide such records or related information as required from time to time by JDSU during the Term and JDSU shall, on [***] business days notice to Supplier, may audit such information at Supplier's site. To this end, Supplier shall maintain and properly safeguard any wasted JDSU Material for a period not to exceed six (6) months, provided that Fabrinet informs JDSU before scrapping such wasted JDSU Material following the six (6) month period, so that it may be audited hereunder.

3.4 **Delivery of JDSU Supplied Items and Consigned Items.** Except as agreed otherwise, all JDSU Supplied Items and Consigned Items shall be delivered in accordance with the Equipment Loan Agreement, provided that the costs of freight shall be borne by JDSU and any customs/export/trade related approvals, duties and/or other costs or obligations shall be borne by Fabrinet.

3.5 JDSU Supplied Items

3.5.1 **Orders for JDSU Supplied Items.** After execution of this Agreement, Supplier shall order, take delivery of and pay for, by way of a Purchase Order, those JDSU Supplied Items, if any, required to manufacture the Products forecasted to be ordered by JDSU during the following [***] week period for "A" type components (80% of BOM to total raw material value) and [***] months for B and C type components (15% and 5% of BOM respectively of total raw material value). All Purchase Orders submitted to JDSU by Supplier shall include a description of the required JDSU Supplied Items, the quantities ordered, the prices thereof, the proposed delivery date, and such other information as the parties may agree from time to time. Purchase Orders may be issued in writing, by mail or facsimile, or by electronic means as the parties may agree from time to time.

3.5.2 **Title to JDSU Supplied Items.** Title to JDSU Supplied Items shall pass from JDSU to Supplier only upon payment in full by Supplier to JDSU of the prices for the JDSU Supplied Items.

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- 3.5.3 **JDSU Prices.** During the Term, Supplier shall pay to JDSU, on account of the ordered JDSU Supplied Items, the prices set out in the applicable Product Schedule, or such other prices as set by JDSU from time to time for JDSU Supplied Items. Prices are FCA (Supplier's factory) (Incoterms, 2000). Except as otherwise provided herein, Supplier shall be solely responsible for and shall pay all Taxes.
- 3.5.4 **JDSU Invoice.** JDSU shall invoice on, or as soon as reasonably practicable after, the delivery of JDSU Supplied Items to Supplier. Supplier shall pay JDSU the amount specified in the invoice within [***] days following receipt of JDSU's invoice.
- 3.6 **JDSU Consigned Items.** JDSU shall supply to Supplier, on a consignment basis, at no charge, JDSU Consigned Items, if any, to enable Supplier to manufacture and supply the Products exclusively for and to JDSU pursuant to the terms of this Agreement, pursuant to the terms of the Equipment Loan Agreement.

SUPPLIER'S GENERAL OBLIGATIONS

- 4.1 **Manufacture and Supply of Products.** Supplier shall, exclusively for JDSU, manufacture (which includes, without limitation, testing and packaging) the Products in accordance with the applicable Manufacturing Procedures, Product Specifications and the terms of this Agreement and supply exclusively to JDSU Products in quantities and on Delivery Dates specified in Purchase Orders or Releases for such Products placed by JDSU and accepted by Supplier, subject to the terms of this Agreement. Subject to Section 9 herein, Supplier acknowledges that JDSU may at any time itself manufacture, or have a third party manufacture, the Products.
- 4.2 **Facility.** Except as otherwise mutually agreed upon in writing by the parties in a Product Schedule, Supplier shall, at its cost, design, equip and maintain the Facility, such that it meets or exceeds, and continues to meet or exceed, the applicable Facility Specifications and shall comply with all the requirements agreed upon by the parties in writing regarding appropriate restricted access codes, signage and security measures at the Facility to protect the Products and JDSU Property. Supplier may not change its Facility or place of manufacture of a Product without receiving JDSU's prior written consent. The parties agree that the plan for the transfer of manufacturing from Bintan, Indonesia to Supplier's facility in Thailand shall be attached hereto as Schedule D. All Bintan-related transfer costs shall be at Supplier's sole cost and expense. Supplier shall establish a detailed Product transfer schedule, identifying (without limitation) teams, resources, timing and milestones, in order to accomplish the transfer to and qualification of Supplier's facility and processes within six (6) to nine (9) nine months of the Effective Date, such schedule to be approved by JDSU prior to implementation.
- 4.3 **Equipment and Tooling/Material.** Except as otherwise mutually agreed upon in writing by the parties in a Product Schedule, Supplier shall [***] procure, store, install, test and maintain all manufacturing, tooling, testing and other equipment and material, including JDSU Material and JDSU Equipment, if any, required for the manufacturing and the supply of the Products. Supplier shall perform, at the Facility, all routine installation, testing, repair and maintenance of JDSU Equipment and all inspection and testing of JDSU Material, unless otherwise agreed to in writing by JDSU.
- 4.4 **Qualification Process.** Supplier shall participate in and comply with JDSU's qualification process, if any, to ensure Supplier and Products can meet the Facility Specifications, Manufacturing Procedures and the Product Specifications. The parties shall be responsible for the costs for such qualification as mutually agreed upon in writing.
- 4.5 **Training.** Except as otherwise mutually agreed upon in writing by the parties in a Product Schedule, Supplier shall [***] send the mutually agreed number of suitably qualified Supplier personnel to JDSU's facilities at a location to be designated by JDSU with reasonable notice to Supplier to attend training sessions conducted by JDSU regarding the manufacturing of the Product in accordance with the Manufacturing Procedures. Prior to or upon their arrival, Supplier may also be required by JDSU to deliver executed Employee Acknowledgements, in a form designated by JDSU signed by each employee to be trained by JDSU. Except as otherwise mutually agreed upon in writing by the parties in a Product Schedule, travel and living expenses (including meals and accommodations) of Supplier's personnel dispatched to participate in such training shall be borne by [***], and [***] shall incur the cost of the said training and any JDSU personnel dispatched to conduct such training. Supplier shall [***] attend all supplementary training deemed necessary by JDSU from time to time.
- 4.6 **New Product Introduction (NPI) and Design Services.** Supplier shall provide NPI and design services to JDSU as mutually agreed from time to time and as documented in a schedule to this Agreement. Any costs associated with NPI and Design Services shall be separately costed and reimbursed, as mutually agreed.

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5. **ORDERS AND FORECASTS**

5.1 **Purchase Orders.** JDSU shall purchase Products by issuing Purchase Orders or Releases to Supplier from time to time. Purchase Orders, Blanket Purchase Orders and Releases shall be issued in writing, by mail or facsimile, or by electronic means as the parties may from time to time agree. Blanket Purchase Orders are issued for administrative purposes only, are not binding orders for Products and do not in any way bind JDSU to purchase any Products or material. Purchase Orders and Releases provided verbally are not binding unless and until confirmed in writing as described in this Section.

5.2 **Rolling Forecast.** JDSU shall provide Supplier with a non-binding twelve (12) month Rolling Forecast of its Product requirements for a Product within a reasonable time after the parties have executed this Agreement. The Rolling Forecast shall be updated on a monthly basis after its first delivery to Supplier, always covering the following six (6) to twelve (12) month period, as applicable. Unless otherwise mutually agreed or provided in this Agreement, each Rolling Forecast shall show JDSU's estimated Product requirements on a weekly basis for the first two (2) months, a monthly basis for the following four (4) months and, where applicable, on a quarterly basis, or as otherwise agreed, thereafter. The Rolling Forecast is not a commitment from or liability to JDSU to purchase any quantity of Product or material, and is subject to change. Special Inventory (see below) shall be designated by JDSU on a quarterly basis.

5.3 **Order Acceptance.** All Purchase Orders or Releases for Products ordering quantities for delivery in accordance with JDSU's current Rolling Forecast, provided the foregoing is issued upon or in advance of the applicable Product Lead Time, shall be deemed to be accepted by Supplier upon Supplier's receipt of such Purchase Orders or Releases, as applicable. Supplier shall provide JDSU with confirmation of receipt and acceptance of such Purchase Orders and Releases within one (1) business day of JDSU's transmission of same. In addition, Supplier shall use its commercially reasonable efforts to accept all other Purchase Orders and Releases within five (5) business days of JDSU transmission for Purchase Orders or Releases of Products that are not in accordance with the latest Rolling Forecast.

5.4 **Upside and Downside Rescheduling and Cancellation.**

5.4.1 **Downside Rescheduling.** A Product delivery may be delayed, postponed or rescheduled in whole or in part from its original agreed upon Delivery Date by JDSU any number of times up to a maximum of one hundred and eighty (180) days from the originally scheduled delivery without cost, charge or liability to JDSU in accordance with the following schedule:

<u>JDSU's days notice to Supplier prior to original Delivery Date</u>	<u>Percentage of Products scheduled for delivery that can be rescheduled without cost, charge or liability</u>
0 – 14	[***]%
14 – 28	[***]%
29+	[***]%

5.4.2 **Upside Rescheduling.** Except as otherwise mutually agreed upon in writing by the parties in a Product Schedule, JDSU may reschedule deliveries in advance of the originally agreed upon Delivery Date without cost, charge or liability to JDSU in accordance with the following schedule:

<u>JDSU's days notice to Supplier prior to original Delivery Date</u>	<u>Percentage of Products originally scheduled for delivery in the related notice period that can be rescheduled in advance without cost, charge or liability</u>
0 – 14	[***]%
14 – 28	[***]%
29+	[***]%

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Supplier will also attempt to comply with JDSU requests for either Upside or Downside Rescheduling in excess of the schedule requirements above on a reasonable efforts basis, provided that any additional costs to JDSU resulting from shall be subject to JDSU's prior written approval.

5.4.3 **Cancellation.** Subject to Section 5.4.6, upon written notice to Supplier and for convenience, JDSU may cancel the delivery of Products:

- (a) With notice greater than [***] days, without any cost, charge or liability to JDSU;
- (b) With notice less than [***] days, subject to payment of Supplier's actual costs incurred prior to receipt of the cancellation notice, and solely in relation to the applicable Purchase Order(s)/Release(s) for finished Products or Work in Process or raw materials provided that:
 - (i) Supplier's cancellation costs for finished Products shall never exceed the purchase price;
 - (ii) Supplier's cancellation costs may only be charged in relation to finished goods, work in progress and raw materials that were manufactured in accordance with the quantities and Product Lead Times set out JDSU's most recent Rolling Forecast, applicable Product Schedule and/or Purchase Order/Release;
 - (iii) Supplier shall immediately cease all work on the Purchase Order or Release subject to the cancellation notice, and shall use best efforts to minimize all costs associated with cancellation, including (without limitation) re-using parts and material and work-in-process in other Supplier products, reworking Products in a manner that is acceptable to JDSU, to make them saleable to other Supplier customers, and/or returning material to Supplier's suppliers. Supplier shall provide JDSU with supporting evidence of all such reasonable costs actually incurred and claimed by Supplier under this Section. Payment of any costs that are not substantiated by adequate documentation may be denied by JDSU acting in its sole discretion;
 - (iii) Upon JDSU's request, Supplier shall promptly deliver to JDSU the Product, or any part thereof, in any state of manufacturing whatsoever, that was the subject of the cancelled Purchase Order or Release, together with all such work in progress and raw materials, or part thereof, for which JDSU has agreed to pay by way of the cancellation amount, and full title thereto; and
 - (iv) Any cancellation charges hereunder represent JDSU's sole and exclusive obligation and Supplier's sole and exclusive remedy in the event of any cancellation of a Purchase Order or Release by JDSU pursuant to this Section.

5.4.4 **Safety Stock Program.** Unless otherwise agreed by the parties, each Product Schedule shall provide any applicable safety stock obligations of Supplier to increases in Product demand from JDSU.

5.4.5 **Ramp Up Program.** Unless otherwise agreed by the parties, each Product Schedule shall provide any applicable ramp up capability obligations of Supplier to address increases in Product demand from JDSU.

5.4.6 **Special Inventory.** Subject to JDSU's rights under Section 5.4.3, JDSU authorizes Supplier to purchase certain components, materials and supplies for the manufacturing of Products:

- (i) With Lead Times exceeding the period covered by the accepted Purchase Orders or Releases for the Products in quantities exceeding that required to fulfill accepted Purchase Orders and Releases but only to the extent necessary to ensure Supplier is able to deliver quantities of Products (including upside quantities) forecasted in JDSU's Rolling Forecast as of the applicable Lead Time of such components, materials and supplies (**Long Lead Time Components**) provided all such Long Lead Time Components are identified and their purchase lead times specified in writing as part of the Product Schedule; and Supplier has obtained JDSU's prior written agreement executed by an authorized JDSU representative;
- (ii) In quantities exceeding the required quantity to fulfill accepted Purchase Orders and Releases provided such excess quantities were purchased to achieve price targets for such components, materials and supplies (**Economic Order Inventory**);
- (iii) In quantities exceeding the required quantity to fulfill accepted Purchase Orders and Releases provided such excess quantities were purchased as a result of minimum lot sizes available from manufacturers (**Minimum Order Inventory**); and

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(iv) In quantities exceeding the required quantity to fulfill accepted Purchase Orders and Releases provided such materials are non-cancelable and non-returnable from third party vendors (**NCNR Inventory**).

Lead Time Components, Economic Order Inventory, Minimum Order Inventory, and NCNR Inventory are collectively designated herein as **Special Inventory**. Each Product Schedule shall document any applicable Long Lead Time Components and/or NCNR Inventory. Written requests and authorizations to purchase Economic Order Inventory and Minimum Order Inventory shall be provided by JDSU to Supplier on a quarterly basis or shorter timeframe at JDSU's discretion. Notwithstanding the above, JDSU shall not be responsible for any costs, charges or liability Special Inventory (in the case of Long Lead Time Components) outside the documented Lead-Time, or unauthorized procurement of Long Lead Time Components, Economic Order Inventory, Minimum Order Inventory, or NCNR Inventory.

5.4.7 Excess and Obsolete Material:

(a) **Obsolete Material.** Obsolete Material is defined as the mutually agreed upon components, materials, and supplies that shall no longer be utilized in the manufacture of Products. Subject to mutual agreement, JDSU will issue a purchase order for all Obsolete Material prior to the end of the quarter the material is declared obsolete. The amount of the purchase order shall mutually agreed upon.

(b) **Excess Inventory.** Excess Inventory is defined as components, materials, and supplies in excess of projected usage for a defined period of time, and is determined using management's best estimate of future demand at the time, based upon information available and utilizing the following analysis and action (no Rolling Forecasts, Purchase Orders or Releases for twelve (12) months):

(i) Fabrinet will use JDSU's Purchase Orders, Releases, and Rolling Forecasts (collectively "Production Forecast") to determine the basis for defining material usage.

(ii) Supplier will provide a bi-weekly report highlighting all Excess Inventory.

(iii) A Purchase Order, payable per the terms of this Agreement, will be issued to JDSU in the amount of any materials designated as Excess Inventory for one month, which invoice shall be payable per the terms of this Agreement.

(c) **Mitigation.** Supplier will use commercially reasonable efforts to mitigate JDSU's liability for Excess Inventory and Obsolete Materials, including, without limitation, canceling materials orders, rescheduling materials orders, selling materials or utilizing the materials for other customers, where applicable, provided that JDSU upon request shall be provided with evidence of such commercially reasonable efforts to mitigate liability, and provided that the maximum total JDSU liability for any Excess Inventory or Obsolete Materials may not exceed [***].

6. PACKAGING, SHIPPING, DELIVERY, RISK AND TITLE AND DROP SHIPMENTS

6.1 **Packaging.** Supplier shall, at its cost, package, bar code, label and handle all Products in accordance with the applicable Product Specifications and Manufacturing Procedures and so as to protect them from reasonable loss or damage during shipment and while in storage. Supplier shall ensure that each shipment of Product is accompanied by a packing slip that indicates, at minimum, Product description, Supplier part numbers, JDSU part numbers and the applicable Purchase Order or Blanket Purchase Order number. Supplier shall provide, at its cost, all packaging and labeling material. Supplier shall also pay for all costs, if any, associated with JDSU returning reusable packaging materials to Supplier.

6.2 **Delivery and Shipping Requirements.** Supplier shall deliver the Products to JDSU at the Delivery Location on the Delivery Date. JDSU may change the Delivery Location, and agrees to pay any difference in delivery charges (provided that JDSU is notified in advance and agrees to pay such charges), at any time by giving prior written notice to Supplier any time before the affected Products are shipped. Supplier shall not ship partial shipments of Products to JDSU unless JDSU agrees in writing.

6.3 **Delivery Date.** Delivery Dates for Products shall be as specified on each Purchase Order or Release, unless otherwise mutually agreed in writing. Supplier shall accept all JDSU requested Delivery Dates for Products where Purchase Orders or Releases are for quantities specified JDSU's current Rolling Forecast and issued upon or in advance of the applicable Product Lead Time. Supplier shall use commercially reasonable efforts to accept and comply with all other JDSU requested Delivery Dates.

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- 6.4 **Title and Risk.** Unless otherwise specified in a Product Schedule: (i) all Products shipped by Supplier pursuant to this Agreement shall be FCA (Origin) (Incoterms 2000); (ii) title to the Products shall pass from Supplier to JDSU when Products are [***]; and (iii) Supplier shall record JDSU as the importer of record for all Products delivered to JDSU pursuant to this Agreement.
- 6.5 **Late Delivery.** Supplier shall immediately notify JDSU in writing upon becoming aware that any part of a shipment of Products will not be, or has not been, delivered by the Delivery Date and shall provide reasons for the delay, with a revised delivery date. Supplier's revised delivery date must take into account the use of all means available to expedite production and delivery of the delayed Products including without limitation expediting the procurement of materials, using expedited transportation means and labor overtime (**Accelerated Measures**). In the event of such delay, JDSU may, in its sole discretion, agree to a revised Delivery Date or cancel that part of the Purchase Order or Release for the delayed Products [***], notwithstanding any other provision hereof. Where JDSU agrees to the new Delivery Date, Supplier shall [***] employ Accelerated Measures to ensure the delayed Products are delivered on or before the revised Delivery Date. For the purposes of this Section 6.5, Rejected Products (defined in Section 7.1) shall be deemed not to have been delivered by the Delivery Date.
- 6.6 **Consequences of Late Delivery.** Supplier acknowledges that JDSU shall likely be in breach of its obligations to certain of its customers in the event Supplier does not deliver the Products on the Delivery Date or fails to deliver Products that comply with the applicable Product Specifications. Supplier shall therefore pay to JDSU an amount equal to [***].
- 6.7 **Drop Shipments.** From time to time JDSU may require that Supplier ship Products to Delivery Locations other than JDSU facilities as designated.
- (a) **Confidential Information.** The information provided by JDSU to Supplier in relation to drop shipping is commercially sensitive JDSU Confidential Information as defined in and subject to the NDA between JDSU and Supplier. With the exception of the disclosure of the drop ship information provided by JDSU for inclusion with each drop ship order to its designated third party recipient, Supplier may not disclose any information related to the JDSU drop ship program to any other party without the prior written consent of JDSU.
- (b) **Drop Ship Process.** Supplier shall comply with the administrative and technical processes set out by JDSU's drop ship program documentation, as modified from time to time by JDSU with reasonable notice to Supplier, including any and all confidentiality requirements of Supplier or third parties. Such documentation shall be deemed to be incorporated by reference into this Agreement.
- (c) **Shipping Terms.** Supplier agrees that the shipping terms for drop shipped Products may vary according to the designated Delivery Location and shall be agreed upon in each Purchase Order. In all cases, title to the Products shall pass from Supplier when the Products are [***], and prices are exclusive of Taxes.
- (d) **Communication with JDSU Customers.** Supplier shall include all documentation designated by JDSU for inclusion with the relevant drop ship order, and shall not alter such documentation without the prior written consent of JDSU. Supplier acknowledges that most recipients of drop shipped Products are JDSU customers. Except for as specifically required by the drop shipment program or with the prior written authorization of JDSU, Supplier shall not communicate directly with JDSU customers, and any JDSU customer communications to Supplier related to the Products shall be promptly forwarded to JDSU.
- (e) **Drop Ship Program Costs.** Any costs or expenses related to Supplier's access, implementation, training or other expenses relating to the JDSU drop ship program shall [***], except that any related software license costs shall be borne by [***].
7. **INSPECTION AND REJECTION OF PRODUCTS**
- 7.1 **Inspection and Rejection.** JDSU shall have a period of [***] days following receipt of a shipment of Products to inspect the Products using an industry-accepted sampling plan (**AQL**) before accepting the shipment. JDSU reserves the right to perform this inspection at Supplier's location upon notice to Supplier prior to shipment. Subject to the terms of this Agreement, JDSU may reject Products or Product shipments, in whole or in part, where the AQL inspection reveals the Products are damaged, are defective in design, material or workmanship or do not fully conform with the Specifications, or if there are discrepancies with respect to the type or number of Products shipped

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to JDSU. Products rejected pursuant to this Section are **Rejected Products**. Rejected Products shall be returned to Supplier in accordance with Section 7.2 and for each Rejected Product, Supplier shall, at JDSU's option, promptly (a) deliver, at Supplier's cost, repaired or replacement Products or (b) at JDSU's election, issue either a full refund or credit to JDSU for the Rejected Product.

7.2 **Product Returns.** Within one (1) Supplier business day after receipt of JDSU's notice of JDSU's intention to return a Product pursuant to this Agreement, Supplier shall issue a Return Materials Authorization number (RMA). If no RMA is issued within one (1) Supplier business day, JDSU may return the Product without further notice to Supplier and without a RMA. Supplier shall pay all costs associated with the transportation of a returned Product, including the cost of transportation from JDSU to Supplier's plant, and, where applicable, transportation of replacement or repaired Products to JDSU, as well as all insurance costs associated with the returned Products and the repaired and replacement Products.

8. **APPROVED VENDORS AND MATERIALS**

8.1 **List of Property.** Supplier shall, upon JDSU's written request, provide JDSU with a complete and detailed list of all equipment, tooling and other material (**Third Party Material**) obtained by Supplier from third parties, which is used by Supplier in the manufacture and supply of Products to JDSU under this Agreement, along with such party's identity at which such Third Party Material was purchased.

8.2 **Approved Vendors.** Where JDSU has specified that a Third Party Material is to be procured from a particular vendor, whether in the Product Specifications or otherwise, Supplier shall only procure such Third Party Material from that vendor. Where Supplier wishes to procure Third Party Material from a vendor other than that vendor specified by JDSU, such change shall be processed as an Engineering Change pursuant to Section 12. Supplier, at JDSU's request, will source for, and provide to, JDSU any third party materials or products (including without limitation Third Party Materials) for JDSU's use in research and development activities. Such third party materials or products will be provided to JDSU [***].

9. **PRICES, INVOICING AND PAYMENT TERMS**

9.1 **Prices.** All Prices for the Products are set out in the applicable Product Schedule and are subject to anticipated reductions thereof as provided in this Agreement and/or the applicable Product Schedule. Unless otherwise specified in a Product Schedule, (i) Prices are FCA (Origin) (Incoterms 2000) and are exclusive of Taxes; (ii) JDSU will be the importer of record in cases where Product is being shipped directly to JDSU; and (iii) in the case where Product is being shipped to a third party as designated by JDSU, JDSU will designate the importer of record. [***] agrees to pay all Taxes levied or based on the Products, except for [***]. Any Taxes assessed to JDSU will be separately stated on the invoice. Supplier will not assess a Tax for which JDSU has furnished to Supplier a copy of a tax exemption certificate, certificate of authority, direct pay permit, or any equivalent document acceptable to the relevant taxing authority. The Fabrinet pricing model is attached below. [***]:

<u>Item</u>	<u>Fabrinet – Volume Manufacturing</u>	<u>Fabrinet – NPI</u>
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

9.2 **Price Reductions.**

9.2.1 General Price Reduction Program. Throughout the Term, Supplier shall conduct an ongoing Product price reduction program. Supplier shall target the reduction of the cost of specific components included in the Products, in addition to continuously improving the manufacturing, productivity, and/or operational processes used to manufacture Products to reduce prices charged to JDSU. Following implementation, and subject to Section 9.2.2, Supplier shall promptly convey the resulting materials, manufacturing, and/or operational cost savings through to JDSU in accordance with the following:

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- (a) One Hundred Percent (100%) of any JDSU originated cost Bill of Materials (**BOM**) or scrap related reductions (including without limitation cost reductions resulting from JDSU component pricing decreases or due to JDSU's directions to Supplier with respect to the use of components within the Products) shall be provided to JDSU; and
- (b) [***] Percent ([***]%) of any Supplier originated BOM or scrap related cost reductions shall be provided to JDSU for a period of [***] months following implementation;
- (c) [***] Percent ([***]%) of any Supplier originated BOM or scrap related cost reductions shall be provided to JDSU after the [***] month period following implementation; and
- (d) Supplier shall reduce aggregate Product costs [***] as calculated from the Effective Date throughout the Term.

9.2.2. Transformation Costs. Solely with respect to data communications Products transferred from Bintan, Indonesia, the parties agree that transformation cost Product pricing (to be included in the Product Schedules) may be reduced if Product volumes exceed certain mutually agreed upon levels. Provided that such Product volumes do not decrease from such levels as a result of JDSU allocating Product production to another party (except in the event of breach or non-performance by Supplier), then transformation cost pricing shall not exceed the aforementioned amounts. Additionally, and solely with respect to Products manufactured in Bintan, Indonesia in accordance with Schedule D, as of the Effective Date:

- (i) Prior to the transfer of such Products from Bintan and wind-down of Bintan operations, JDSU shall receive One Hundred Percent (100%) of any cost reductions (whether originated from JDSU or Supplier, and including without limitation BOM costs, Transformation Costs or scrap related reductions); and
- (ii) Following the transfer of such Products from Bintan, JDSU shall receive the benefit of any related cost reductions in accordance with Section 9.2.1 above.

9.3 **Invoicing and Payment.** Supplier may only issue an invoice to JDSU upon or after delivery of the particular Products to the Delivery Location. All invoices shall reference the associated Purchase Order or Blanket Purchase Order number, as applicable. Payment shall be net [***] days following the receipt of a valid invoice from Supplier, subject to JDSU's right of set-off. Notwithstanding any amount shown on Supplier's invoice, JDSU shall have no obligation to pay for any Rejected Products or Products otherwise returned and not yet paid for by JDSU in accordance with this Agreement. JDSU, at its sole election and discretion, may make any payment hereunder to Supplier by means of electronic transfer and, upon reasonable notice from JDSU to Supplier, Supplier shall enter into an electronic data interchange arrangement or agreement with JDSU reasonably satisfactory to JDSU.

9.4 [***]. Supplier shall allow JDSU to reasonably verify compliance with this Section by means of review by an independent external auditor at JDSU's cost, unless the auditor determines that Supplier is in breach of this Section in which event, Supplier shall bear the cost of such audit.

10. INTELLECTUAL PROPERTY OWNERSHIP

The following summary table sets out, in simplified form, the parties' respective ownership rights in Intellectual Property which are described in detail in Sections 10 and 11:

	<u>JDSU Basic IP</u>	<u>Improvements to JDSU Basic IP</u>	<u>Supplier Basic IP</u>	<u>Improvements to Supplier Basic IP</u>	<u>New Product Technology</u>	<u>New Process Technology</u>
Developed solely by JDSU	Owned by JDSU	Owned by JDSU	Not applicable	Owned by JDSU	Owned by JDSU	Owned by JDSU
Developed jointly by the parties	Not applicable	Owned by JDSU	Not applicable	Owned by Supplier and licensed to JDSU	Owned by JDSU	Owned by Supplier and licensed to JDSU
Developed solely by Supplier	Not applicable	Owned by JDSU	Owned by Supplier	Owned by Supplier with a limited license to JDSU	Owned by JDSU	Owned by Supplier with a limited license to JDSU

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- 10.1 **Basic IP.** JDSU owns and shall continue to own JDSU's Basic IP and all Intellectual Property rights therein and Supplier has no ownership rights in JDSU's Basic IP. Supplier owns and shall continue to own Supplier's Basic IP and all Intellectual Property rights therein and JDSU has no ownership rights in Supplier's Basic IP.
- 10.2 **Improvements.**
- 10.2.1 **JDSU Owned Improvements.** JDSU shall own: (a) all Improvements to JDSU's Basic IP developed by either JDSU or Supplier, or jointly by JDSU and Supplier, and (b) all Improvements to Supplier's Basic IP developed solely by JDSU.
- 10.2.2 **Supplier Owned Improvements.** Supplier shall own all Improvements to Supplier's Basic IP developed solely by Supplier or jointly by JDSU and Supplier.
- 10.3 **New Product Technology.** JDSU shall own all New Product Technology developed by either JDSU or Supplier or jointly by JDSU and Supplier.
- 10.4 **New Process Technology.** JDSU shall own all New Process Technology developed solely by JDSU. Supplier shall own all New Process Technology developed solely by Supplier, or jointly by JDSU and Supplier.
- 10.5 **Report.** Supplier shall, as soon as reasonably possible after becoming aware of any Improvements or New Technology that Supplier has solely developed or jointly developed with JDSU, or within ten (10) days of any JDSU request, fully report and disclose to JDSU, in reasonable detail for JDSU to fully understand, all such Improvements, New Technology and applicable Supplier Basic IP. In addition, at each Business and Price Review Meeting set out in Section 2.3, Supplier shall provide a full and detailed report of all such Supplier Basic IP, Improvements and New Technology. When Supplier initiates an ECN request pursuant to Section 12 which requires the use of any Supplier-developed Improvements or New Technology, then Supplier shall report and fully disclose to JDSU in reasonable detail for JDSU to fully understand all such Improvements or New Technology and any applicable Supplier Basic IP.
- 10.6 **Confidential.** Each party's Basic IP, Improvements and New Technology shall be maintained in confidence by the other party in accordance with the confidentiality obligations contained in the NDA.
- 10.7 **Assignment.** Supplier hereby assigns, and agrees to assign, to JDSU all right, title and interest in and to all Supplier-developed Improvements and New Technology owned by JDSU, including without limitation, the Intellectual Property rights therein. JDSU hereby assigns, and agrees to assign, to Supplier all right, title and interest in and to all JDSU-developed Improvements and New Technology owned by Supplier, including without limitation, the Intellectual Property rights therein.
11. **LICENSE GRANTS**
- 11.1 **License to JDSU Basic IP/Improvements/New Technology.**
- 11.1.1 **JDSU's Basic IP.** JDSU grants to Supplier, for the Term, a non-assignable, non-sub-licensable, non-exclusive, royalty-free license to use the Basic IP in existence as of the Effective Date of this Agreement solely to perform its obligations hereunder.
- 11.1.2 **Additional Basic IP/Improvements/New Technology.** JDSU may, at its option, subject to Section 12 and for the Term, grant to Supplier a non-exclusive, non-assignable, non-sub-licensable, royalty-free license to use Basic IP created after the Effective Date, Improvements and New Technology owned by JDSU solely to perform its obligations hereunder, provided that, prior to such use, the parties have mutually agreed to the terms of implementation of the change.
- 11.2 **License to Supplier Basic IP/Improvements/New Technology.** Subject to JDSU's prior written approval to use the applicable Supplier Basic IP created after the Effective Date, Improvement or New Technology owned by Supplier pursuant to Section 12 or otherwise:
- 11.2.1 **Supplier Basic IP/Improvements/New Technology:** To the extent reasonably commercially necessary to commercially make, use, reproduce or sell the Product, subject to Section 11.2.2, Supplier hereby grants to JDSU, an irrevocable, perpetual, world-wide, non-exclusive, paid-up, royalty free license, with the right for

JDSU to grant sublicenses, to make, use, reproduce any Improvements owned by Supplier and, to the extent required to use such Improvements, the same grant of a license for Supplier's Basic IP, and any New Technology owned by Supplier and the right to make, use and sell any products made by using such Basic IP, Improvements and New Technology. Notwithstanding the foregoing, where JDSU requires a license to any of Supplier's Basic IP (whether created prior to or after the Effective Date) to give effect to this Section 11.2.1 after termination of this Agreement, JDSU shall pay Supplier a reasonable royalty.

11.2.2 **Jointly Developed Supplier Technology:** Supplier hereby grants to JDSU, an irrevocable, perpetual, world-wide, non-exclusive, paid-up, royalty free license, with the right for JDSU to grant sublicenses, to make, use, reproduce (a) any jointly developed Improvements owned by Supplier and, to the extent required to use such Improvements, Supplier's Basic IP, and (b) any jointly developed New Technology owned by Supplier. Such rights include the right to make, use and sell any products made by using such Basic IP, Improvements or New Technology.

11.3 **License Restrictions.**

11.3.1 Apart from the limited licenses granted above, neither party obtains any interest in the other party's Basic IP, Improvements or New Technology. All documents, materials and copies relating to the foregoing, in whole or in part and in any material form, shall remain the property of the owner.

11.3.2 A party shall not alter, remove or destroy any proprietary markings or confidentiality legends or notices placed upon or contained within, or attempt to reverse engineer directly or indirectly any of the other party's Basic IP, Improvements or New Technology.

11.3.3 In any action or proceeding relating to a party's Basic IP, Improvements or New Technology, the other party shall not, nor will it assist others to, contest the owner's title to or the validity of the owner's Basic IP, Improvements or New Technology.

11.3.4 A party shall take such reasonable steps as the other may require from time to time, to protect the other's Basic IP, Improvements and New Technology.

11.4 **E20 Licenses.** Sections 10 and 11 herein shall not apply to the licenses and/or other IP rights granted under the E20 Singapore and E20 Indonesia license agreements, which shall remain in full force and effect notwithstanding the IP provisions in this Agreement.

12. **ENGINEERING AND SITE CHANGES**

12.1 **Supplier Proposed Changes.**

12.1.1 **General Restriction.** Subject to the terms of this Section, Supplier may not: (a) relocate any part of the Facility or (b) make any change to the Facility Specifications, the Manufacturing Procedures, the Product Specifications, quality assurance processes, or (c) change any other JDSU requirements related to the Product, including without limitation the manufacturing or supply of the Product (each an **Engineering Change**), without JDSU's prior written consent, acting in its sole discretion.

12.1.2 **Change Procedure.** Where Supplier wishes to make an Engineering Change, Supplier shall issue an engineering change notice (**ECN**), which ECN shall include, without limitation, sufficient details regarding the nature of the proposed change, the reason for the proposed change, details regarding its implementation, the impact of the change (including but not limited to scheduling and Prices) on any Purchase Orders or Releases, and the proposed implementation date of the Engineering Change. Promptly after issuing the foregoing ECN, Supplier shall, at its cost, provide JDSU with sufficient evaluation samples of the affected Product (after having incorporated the Engineering Change) and other information requested by JDSU to enable JDSU to evaluate the Engineering Change. JDSU may, acting in its sole discretion, reject any Engineering Change and shall notify Supplier in writing of such rejection within a reasonable period of time from its receipt of such Product samples and other information. While JDSU is considering an Engineering Change or if JDSU rejects an Engineering Change, Supplier shall continue to manufacture and supply the Product, in accordance with the terms of this Agreement, without the Engineering Change. Where JDSU provides its written approval of the Engineering Change, Supplier shall implement the change on a mutually agreed schedule.

12.2 **JDSU Requested Changes.** JDSU may, at JDSU's cost, by written notice to Supplier, amend JDSU drawings or designs, or the Specifications, at any time prior to the manufacture of the affected Products and provided JDSU pays to Supplier any reasonable non-recurring charges, if any, and/or revised Prices for such Products, as mutually agreed by the parties in writing. Supplier shall implement such amendment within a period of time as mutually agreed by the parties. Where the change is required to bring Products into compliance with applicable laws, statutes, regulations, codes, standards or other requirements, Supplier shall, at its cost, implement the amendment as soon as possible.

13. **QUALITY ASSURANCE**

- 13.1 **Quality System.** Supplier shall establish, implement and maintain throughout the Term a quality system which meets ISO-9002 and/or such other quality system as may be designated by JDSU as soon as commercially reasonable but not later than [***] months following JDSU notice to Supplier (**Quality System**) for the proper control of material, quality, processing, assembly, packaging and shipping of the Products. Where Supplier is certified under the foregoing and fails to obtain or maintain such certification(s), Supplier shall promptly notify JDSU. Any failure to obtain or maintain such certification(s) during the Term shall be deemed to be a breach of a material obligation in this Agreement entitling JDSU to terminate the Agreement pursuant to Section 22.2.
- 13.2 **Supplier Corrective Action.** Where problems or deficiencies are identified as provided for in this Section 13 and Section 14, JDSU may issue Supplier Corrective Action Requests (**SCAR**) to Supplier. Supplier shall promptly reply to a SCAR, and take immediate corrective action acceptable to JDSU to prevent the recurrence of any and all deficiencies or problems identified in such SCAR. Supplier shall notify JDSU as soon as a deficiency or problem identified in a SCAR is corrected.
- 13.3 **Tests.** Supplier shall, at its cost, prior to delivery to JDSU, perform all commercially reasonable test and inspection procedures, as well as those tests and inspections required by JDSU, relating to the Product. Supplier shall provide true and complete copies of all test and inspection documentation and records upon JDSU's written request.

14. **PLANT AUDITS AND INSPECTIONS**

- 14.1 **Audits and Inspections.** JDSU, and its agents, representatives, employees and customers, may from time to time during the Term, during normal business hours and following reasonable notice to Supplier, with Supplier's full cooperation and assistance, enter and remain upon Supplier's Facility, or any other premises or location approved by JDSU where any JDSU Material, JDSU Equipment or the Product may be stored or kept by Supplier, to review, inspect, test and to conduct audits of the facilities, the Products, Supplier's operations, the care and control of the Product, the JDSU Material and JDSU Equipment and any non-JDSU property used in the manufacture, test, package and supply of the Products to JDSU, as well as Supplier's quality control and other procedures (including without limitation restricted access, signage and security) all as reasonably necessary for JDSU to satisfy itself of Supplier's compliance with its obligations under this Agreement. JDSU, and its agents, representatives and employees shall also have: (a) the right to examine all applicable records and reasonable supporting data held by Supplier, and (b) reasonable access to its staff including technical staff, to determine the identity and scope of Improvements and New Technology whether solely or jointly developed by Supplier, which JDSU reasonably believes Supplier has not adequately disclosed in accordance with this Agreement.

15. **PRODUCT WARRANTY**

- 15.1 **Product Warranty.** Supplier warrants to JDSU and its customers for [***] years from the date Products are shipped to the Delivery Location (**Warranty Period**) that the Products: (a) have been manufactured in accordance with JDSU's applicable Manufacturing Procedures; (b) will meet mutually agreed JDSU performance requirements confirmed by mutually agreed written testing procedures and; (c) shall be free from defects in workmanship. Supplier also warrants to JDSU and its customers that any services to be provided by Supplier hereunder shall be performed to a standard reasonably acceptable in the industry. In the event that during any ninety (90) day period of the Term, the percentage of Products that fail to meet the above warranty is equal to or in excess of the Product Warranty Failure Percentage set forth in the Product Schedule, JDSU may immediately terminate this Agreement with respect to the relevant Product (in which case same shall constitute termination pursuant to Section 22.2 for a material breach not cured in accordance therewith) . If no Product Warranty Failure Percentage is set forth in a Product Schedule or no Product Schedule applies, the default Product Warranty Failure Percentage shall be [***] percent ([***]%).

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15.2 **Warranty Remedy.** Products not meeting the above warranties (**Defective Product**) shall be returned pursuant to Section 7.2 and, at JDSU's option, subject to JDSU's remedies under Section 7.1, Supplier shall, at its cost, promptly (a) repair or replace the Defective Product at no cost to JDSU or (b) [***]; or (c) at JDSU's election, in the event that JDSU has lost its customer order as a result of the Defective Products and/or Supplier cannot deliver repaired or replacement Products to JDSU within ten (10) days of their return to Supplier, [***]. All Defective Products repaired or replaced under warranty shall be warranted for a period equal to the longer of: (a) the remainder of the original Warranty Period or (b) two (2) years.

15.3 **Epidemic Failure Warranty.**

An Epidemic Failure shall be deemed to have occurred if, during the period of [***] years from shipment to the Delivery Location (the "**Epidemic Failure Period**"), Products fail to perform in accordance with Sections 15.1 and 15.5 (Product Warranty and Exclusions) in accordance with one or more of the following criteria:

- a) A specific defect mode, experienced in JDSU and/or end customer production line tests, exceeds a Product's target return rate as set out in the applicable Specification;
- b) A total defect rate with a Product and/or similar Products, experienced in JDSU and/or end customer production line tests, results in a defect level at least one and one-half times (1.5x) the target return rate set out in the applicable Specification during any rolling (90) day period, and based on a minimum quantity of [***] Products purchased within such period;
- c) A specific defect mode with a field deployed Product and/or similar Products which exceeds the constant or stable Failure in Time ("**FIT**") rate set forth in the applicable Specification;
- d) A total defect rate with a Product and/or similar Products in field deployed units which exceeds the constant or stable FIT rate set forth in the applicable Specification by at least one and one-half times (1.5x);
- e) A defect rate or mode occurs with the Product in excess of such other criteria as may be mutually agreed upon in writing by JDSU and Supplier; or
- f) If no FIT rate or similar criterion is listed in the applicable Specification or has been otherwise agreed to by JDSU and Supplier, then an Epidemic Failure shall be deemed to have occurred if more than [***] percent ([***]%) of the total installed based of the same type of Product does not conform to the warranty terms set out in Section 15.1.

In the event of an Epidemic Failure during the Epidemic Failure Period:

g) Supplier shall, at its cost, provide Support Services (defined in Section 16) and/or, if deemed necessary by JDSU, at Supplier's cost, implement an Eight Disciplines ("**8D**") problem solving methodology (or equivalent methodology) to identify containment, root cause(s), permanent corrective action(s), and/or invoke Engineering Change (defined in Section 12) as required to remedy the problem giving rise to the Epidemic Failure. Supplier shall also, at its cost, ensure an effective quarantine, containment action, and disposition of suspect material related to the Epidemic Failure at the Supplier, JDSU and/or end customer locations.

h) Supplier shall notify JDSU promptly and provide an initial problem verification report within two (2) Supplier business days, including a containment and failure analysis plan per the 8D methodology (or equivalent methodology). A complete 8D report, including permanent corrective and preventive action, shall be provided by the Supplier to JDSU within fifteen (15) calendar days of initial notification.

i) JDSU shall have the right, at its sole discretion, to claim, for affected Products, both installed and finished goods inventory, whether or not such Products have in fact failed, and Supplier shall provide a full refund, credit, repair services or replacement Products and pay for any direct costs associated with the de-installation and re-installation of the Products contained in JDSU end customer products (including without limitation freight, insurance, shipping, and like expenses), in the manner and under the terms set out in this Section.

15.4 **JDSU Bintan Product Warranty Coverage.** Supplier agrees to provide warranty coverage in accordance with this Section 15 for JDSU products manufactured at the Bintan facility prior to the Effective Date for the remainder of their respective warranty periods (whose durations and other pertinent information will be provided by JDSU to Supplier) at mutually agreed upon and commercially reasonable rates.

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- 15.5 **Exclusions.** The above warranties shall not apply to any Products which have been misused, damaged, placed in an unsuitable physical or operating environment or maintained improperly by JDSU or caused to fail solely as a result of any component, material, product or service supplied by JDSU; or any Products with a defect solely caused by the defective written JDSU Property design or other fault in any JDSU Property provided by JDSU. EXCEPT AS PROVIDED IN THIS SECTION, OR IN ANY OTHER PROVISION OF THIS AGREEMENT, SUPPLIER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCTS HEREUNDER, INCLUDING ANY IMPLIED WARRANTIES RESPECTING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.
16. **SUPPORT SERVICES**
- 16.1 **Support.** Supplier shall, at Supplier's cost, provide technical assistance, functionally equivalent replacement Products, repair services and failure analysis services (**Support Services**) on any individual Product, including discontinued Products, during the Warranty Period and, after the expiry of the Warranty Period Supplier shall provide Support Services for an additional period of [***] years at commercially reasonable rates. All repaired or replacement Products shall be warranted in accordance with the provisions of Section 15. Supplier may not discontinue the manufacture or supply of Products or Support Services without JDSU's prior written consent. Supplier shall also, at JDSU's request and at [***] cost, provide a Supplier employee at JDSU's site to provide Product order and other functional liaison services to JDSU, as JDSU may reasonably require.
- 16.2 **Failure Analysis.** As part of the Support Services, Supplier shall complete a failure analysis on all returned Products within seven (7) days of receipt of such Products. Supplier shall deliver to JDSU, within ten (10) days of receipt of the returned Products, a written report of the analysis and Supplier's findings. If more than [***] percent ([***]%) of all units of a Product shipped to JDSU within any ninety (90) day period are defective, then Supplier shall, at its cost, immediately initiate a corrective action plan and perform a routine cause analysis on the Product. Supplier shall update JDSU on a daily basis with the status and findings of the said analysis and plan and provide such other reasonable information required by JDSU in connection therewith.
17. **INDEMNITIES AND LIMITATION OF LIABILITY**
- 17.1 **Third Party Claims.** Subject to Section 17.2, Supplier shall indemnify and hold harmless JDSU and its directors, officers, employees, authorized subcontractors and other JDSU representatives (in this Section 17, collectively, JDSU) from and against any and all liability including without limitation, all costs, expenses, claims, damages, profits, reasonable solicitor and attorney fees and other amounts incurred by JDSU in connection with such liability resulting from any third party claims against JDSU on account of injuries, including death, to any person, damage to property, or other third party claims, demands or proceedings against JDSU, to the extent caused by (a) the fault, misconduct or negligence of Supplier, its employees, representatives, agents or other persons within its control; (b) the breach by Supplier of its obligations hereunder; or (c) any Product or material supplied by Supplier. JDSU shall promptly notify Supplier of any such claim and, where the parties agree Supplier is fully liable for the claim, loss, damage, injury or liability, Supplier shall have complete control, at its cost, of any negotiation, arbitration or litigation concerning such claims except that Supplier shall not enter into any settlement agreements without JDSU's prior written consent. JDSU shall provide, at Supplier's cost, all available information and other reasonable support to Supplier in respect of its investigation or defense of any such claim or suit.
- 17.2 **Infringement.** If a third party claims that a [***] or any other material [***] developed by Supplier hereunder, infringes its patent, copyright, trade mark, trade secret, industrial design, topographies or other Intellectual Property rights anywhere in the world, Supplier shall and does hereby indemnify and hold JDSU harmless from and against all claims and other amounts incurred by JDSU in connection with such third party claim, including without limitation any monetary relief awarded against JDSU by a court or other judicial, legal or arbitral process, authority or jurisdiction, or a final settlement amount, if any, as a result of such third party claim and Supplier shall also, at Supplier's cost, defend JDSU against the third party claim, during which defense, JDSU may be independently represented, at Supplier's cost, by counsel of JDSU's selection. JDSU shall promptly notify Supplier of such claim and, at Supplier's cost, cooperate in the defense and all related negotiations. In addition to the other obligations set out in this Section, Supplier shall continue to supply Products and shall use its commercially reasonable efforts, at its own cost, to procure for JDSU and its customers the right to continue using, importing, exporting and selling the Product; or with the consent of JDSU, replace the same with a comparable non-infringing Product or modify the Product so as to avoid the infringement. Where Supplier has not been able to successfully implement either of these options within ninety (90) days of Supplier first learning of the claim, JDSU may, in its sole discretion and without any penalty, liability or charge, notwithstanding any other term or provision hereof, immediately by written notice to Supplier, terminate this Agreement and may return all affected Products and obtain a refund of all amounts paid for such Products pursuant to this Agreement. Notwithstanding the foregoing, except for Improvements or New Technology solely created by Supplier hereunder, Supplier shall have no obligation to JDSU under this Section 17.3 where the claims relate solely to JDSU's Property, JDSU Product designs provided to Supplier or material provided by JDSU to Supplier.

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17.3 **Consequential Damages.** EXCEPT FOR: (A) SUPPLIER'S OBLIGATIONS UNDER SECTIONS 10, 11, 17.1 and 17.2; OR (B) EITHER PARTY'S OBLIGATIONS UNDER SECTION 18, OR (C) UNLESS OTHERWISE EXPRESSLY AGREED IN THIS AGREEMENT, IN NO EVENT SHALL A PARTY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUBCONTRACTORS OR OTHER REPRESENTATIVES BE LIABLE TO THE OTHER FOR SPECIAL, CONSEQUENTIAL, INCIDENTAL, EXEMPLARY OR INDIRECT COSTS, EXPENSES OR DAMAGES.

18. CONFIDENTIALITY

18.1 **NDA.** The parties shall comply with the provisions of the NDA attached as Schedule A. If required by JDSU, Supplier shall also ensure that all of its employees who shall work on or be engaged in connection with the manufacturing and supply of the Product to JDSU hereunder, or who have visited or shall visit JDSU's premises, have signed or shall sign an Employee Acknowledgement, in the form approved by JDSU.

19. RESTRICTIONS

19.1 **Use of JDSU Property.** Supplier shall not: (a) use any of JDSU Property for any purpose other than to perform its obligations hereunder; except as otherwise permitted under the NDA, provide to, copy or disclose JDSU Property to any party other than JDSU including without limitation Supplier's agents, contractors and suppliers, without JDSU's prior written consent, which may be withheld in JDSU's sole discretion; or (b) place, hold, maintain or store any of JDSU Property in any place, facility or location other than the Facility, without the prior written consent of JDSU.

19.2 **No Solicitation.** During the Term and for a period of eighteen (18) months thereafter, neither party, whether directly or indirectly, shall solicit for employment or hire the other party's employees, except that a party shall not be precluded from hiring any such person who: (i) initiates discussions regarding employment without any direct or indirect solicitation or encouragement by such party, (ii) responds to any bona fide public advertisements placed by such party in trade journals and newspapers and not otherwise directly targeted towards employees of the other party, or (iii) has been terminated by the other party prior to the commencement of employment discussions with it, provided that such party shall not have any direct or indirect contact with such employee, with respect to such employment, prior to the said public advertisement, the public advertisement is bona fide and has been placed in good faith, and the said employee is hired with a reasonable period after the placement of the said public advertisement.

19.3 **Competing Products.** Except in the ordinary course of Supplier's business as a contract manufacturer, none of Supplier, nor its affiliates, subsidiaries, officers, contractors, agents or employees shall, directly or indirectly, anywhere in the world, develop, manufacture, sell, market, provide, distribute, sub-distribute or otherwise deal with or dispose of the Products, or any other device or product with similar functionality to the Products or which have similar or derivative components or modules, to or for any party other than JDSU during the Term and for a period of three (3) years thereafter and in the case of officers, contractors, agents or employees of Supplier, for a period of at least one (1) year after any of such persons separates, departs from or leaves its position with Supplier.

19.4 **Acknowledgement.** Supplier acknowledges and agrees that any breach, violation or threat of breach or violation of the restrictions set out in Sections 19.1 and 19.3 shall result in irreparable harm to JDSU for which damages would be an inadequate remedy and therefore, in addition to its rights and remedies otherwise available hereunder or under law, JDSU may seek equitable relief as a court may deem proper, including injunctions, to prevent any such breach or violation.

20. INSURANCE

20.1 **Policy.** Supplier shall maintain during the Term and for a period of [***] years thereafter, and shall, upon JDSU's request, furnish JDSU with proof of the existence of, insurance coverage of Supplier for comprehensive primary worldwide general liability insurance with third party liability coverage protecting JDSU against all claims due to bodily injury, personal injury (including death) and property damage, including coverage for Supplier's contractual liabilities, of not less than [***] Million Dollars (\$[***],000,000), which policy and insurance coverage shall provide all risks coverage for all the JDSU Property located at the Facility or otherwise in Supplier's possession, care or control (whether on a consignment basis or otherwise). Such insurance policy shall list JDSU as a loss payee, as its interest may appear, and may not be cancelled or materially amended without thirty (30) days prior written notice to JDSU.

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21. COMPLIANCE WITH LAWS

21.1 **Compliance.** Supplier represents and warrants that Supplier and Products shall, at all times, comply with all applicable laws, governmental orders and regulations, including without limitation the requirements set out in Schedule C attached hereto.

22. TERMINATION

22.1 **Termination by JDSU.** JDSU may terminate this Agreement (a) upon ninety (90) days prior written notice to Supplier, for convenience, without cause; or (b) immediately, upon written notice, if any part or all of the corporate shares, securities or voting rights of the shareholders of Supplier are transferred so as to result in a change of effective control of Supplier, without JDSU's prior written consent.

22.2 **Termination by Either Party.** A party may terminate this Agreement: (a) in the event of a default by the other party of any material obligation in this Agreement, effective thirty (30) days after written notice of such default is received by the party in default and provided that the party in default has not remedied the default during such thirty (30) day notice period to the non-breaching party's reasonable satisfaction; (b) immediately by written notice in the event of a third consecutive default by the other party of a material obligation (which for the purposes of this Section shall include, without limitation, a late delivery under Section 6.5) that the defaulting party has previously breached twice but remedied pursuant to Section 22.2(a); or (c) immediately upon written notice if the other party ceases to carry on its business or becomes the subject of any proceeding under state, provincial or federal law for the relief of debtors or otherwise becomes insolvent, bankrupt or makes an assignment for the benefit of creditors, or upon the appointment of a receiver for the other party or the reorganization of the other party for the benefit of creditors.

22.3 Consequences of Termination.

22.3.1 **Outstanding Orders.** All Purchase Orders or Releases issued prior to the expiration, non-renewal or termination of this Agreement shall be terminated as of the effective date of termination, unless JDSU notifies Supplier in writing to fulfill any such Purchase Orders or Releases, in whole or in part, in which case Supplier shall fulfill such Purchase Orders or Releases in accordance with the terms of this Agreement.

22.3.2 **Purchase/Return of Equipment/Material.** If upon expiration or termination of this Agreement outstanding Purchase Orders or Releases are terminated in accordance with this Agreement, then JDSU may, at its option, exercisable by way of written notice to Supplier, purchase from Supplier all the JDSU Supplied Items then in the possession of Supplier, if any, at net book value calculated as of such expiration or termination date, and any mutually agreed upon transformation costs. In addition, JDSU may, at its option, exercisable by way of written notice to Supplier, purchase from Supplier all the Product, all work in process and all raw materials obtained by Supplier in order to manufacture and supply the Product, at an amount equal to the total direct costs actually incurred by Supplier for such goods, and may purchase the finished Product at an amount equal to the then net book value for such Product, and any mutually agreed upon transformation costs.

22.3.3 **Return of JDSU Property.** Subject to Subsection 22.3.2, within thirty (30) days of termination of this Agreement, Supplier shall return to JDSU all the all tangible JDSU Property, other than documents in electronic, magnetic or other media. Supplier shall return to JDSU one (1) copy of all hard copy documents in its possession, shall destroy all other copies of documents as well as all electronic versions of the documents, and shall deliver to JDSU a certificate signed by an authorized senior officer of Supplier certifying that all such material has been returned or destroyed and that, subject to Subsection 22.3.2, all other JDSU Property has been returned to JDSU. The treatment of any JDSU Consigned Items in Supplier's possession at termination shall be in accordance with the Equipment Loan Agreement.

22.3.4 **Transitional Services.** In the event of the termination of this Agreement for any reason, Supplier acknowledges that JDSU may need to transition the manufacturing services related to the Products from Supplier to JDSU or to a third party, and agrees to provide JDSU with Transitional Services (defined below) in accordance with this Section. Following the termination of this Agreement for any reason, JDSU shall advise Supplier of its intentions with respect to the transitioning of Product manufacturing to JDSU or to a third party. Supplier agrees to work professionally, diligently and in good faith with JDSU and/or the third party to implement the transition plan through the provision of the Transitional Services requested by JDSU. Without limitation, the Transitional Services may include:

- (a) Providing JDSU with a last time buy opportunity for the Products at the prices in effect as of the termination date for a period of one (1) year following the Agreement's termination date (provided that JDSU will place orders for such Products within six (6) months of the termination date, with delivery dates up to twelve (12) months from the termination date);
- (b) Providing assistance to JDSU to exercise its ownership and/or license rights set forth in Sections 10 and 11 herein;
- (c) Delivering JDSU Consigned Items, JDSU Equipment or JDSU Property in Supplier's possession to JDSU or (upon instruction from JDSU) to a third party, at JDSU's cost;
- (d) Providing the names and addresses of Supplier's sources for parts or components used by Supplier in the manufacture of the Products that are not provided by JDSU or manufactured by Supplier, and reasonable assistance to enable the purchase of all such parts or components directly from these vendors;
- (e) Returning any JDSU Confidential Information in Supplier's possession to JDSU or (upon instruction from JDSU) to a third party; and
- (f) Implementing any other reasonable measures required by JDSU to reduce any disruption to JDSU and/or its end customers resulting from the transition of manufacturing services.

With the exception of (a), the aforementioned Transitional Services shall be provided by Supplier to JDSU at no additional charge for six (6) months following the Agreement termination date, and thereafter shall be provided at mutually agreed upon rates that shall not exceed the rates charged by Supplier to other parties for equivalent or substantially similar services. The foregoing Transitional Services are in addition to, and shall not be construed as a substitute for, the other Supplier obligations herein that survive termination under Section 23.12.

23. **MISCELLANEOUS**

- 23.1 **Arbitration.** The parties must use commercially reasonable efforts to resolve any disputes arising under or relating to this Agreement. In the event the parties are not able to resolve such dispute within thirty (30) days of a party first notifying the other of the breach, or such longer period of time as the parties may mutually agree, either party may, by issuing a notice to the other party, settle such dispute by arbitration or in accordance with any legal or equitable remedies available at law.
- 23.2 **Assignment.** Supplier shall not assign or subcontract any right or interest under this Agreement, a Purchase Order or Release (excepting solely for moneys due or to become due) without the prior written consent of JDSU, acting in its sole discretion. JDSU may, at its sole discretion, assign or subcontract any or all of its rights and obligations in this Agreement without Supplier's consent, except that any assignment or subcontract of payment obligations must be approved in writing by Supplier, acting reasonably and in good faith.
- 23.3 **Conflicts or Inconsistencies.** If there is any conflict or inconsistency between the main body of this Agreement, and Schedules to this Agreement, the order of precedence of interpretation, to the extent of such conflict or inconsistency, shall be as follows: (a) main body of the Agreement, and (b) Schedules.
- 23.4 **Entire Agreement.** Except for the NDA, Equipment Loan Agreements, or as otherwise specifically noted herein, this Agreement including the Product Schedules and other Schedules, comprises all the terms, conditions and agreements of the parties hereto with respect to the subject matter herein. Except for the NDA, Equipment Loan Agreements, or as otherwise specifically noted herein, this Agreement cancels and supersedes all prior agreements and communications on the said subject matter, save and except for the NDA and any Employee Acknowledgements, each of which is intended to survive the execution and delivery of this Agreement. The provisions of the NDA, to the extent of any conflict or inconsistency with the terms hereof, shall prevail. The Equipment Loan Agreements shall remain in effect, but this Agreement shall prevail to the extent of any conflict or inconsistency. This Agreement may not be varied except through a document agreed to and signed by both parties. Any printed terms and conditions relating to the Product contained in any Purchase Order, Release or in any Supplier's acknowledgment, invoice or other documentation relating to the Product shall be deemed deleted and of no force or effect. Any additional typed

and/or written terms and conditions contained in any Purchase Order or Release and any Supplier's acknowledgment, invoice or other documentation shall be for administrative purposes only, i.e. to identify the types and quantities of Products to be supplied, line item prices and total Price, delivery schedule, and other similar ordering data, all in accordance with the provisions of this Agreement.

- 23.5 **Force Majeure.** Neither party shall be held responsible for any delay or failure in performance of any part of this Agreement to the extent such delay or failure is caused by fire, flood, act of God, action of civil, governmental or military authority, in each case beyond its reasonable control (collectively **Force Majeure**) and without the fault or negligence of the delayed or nonconforming party or its subcontractors. When a party's delay or nonperformance as a result of such Force Majeure continues for a period of thirty (30) days, the other party may immediately terminate, without penalty, charge or liability, this Agreement and/or any outstanding Purchase Order or Release.
- 23.6 **Governing Law and Forum.** This Agreement is governed by and construed in accordance with the applicable laws of the State of New York and the United States of America without regard to any conflict of laws principles. The parties expressly agree that the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement or to transactions processed under this Agreement. The parties irrevocably attorn to the courts of Santa Clara County or the United States District Court – Northern District of California.
- 23.7 **Headings.** The headings and sub-headings in this Agreement are used for reference purposes only and are not intended to be relied upon for purposes of construction or interpretation of the Agreement.
- 23.8 **No Publicity.** Neither party shall publicize nor disclose the existence or terms of this Agreement or the fact that Supplier is supplying to JDSU, nor the transactions contemplated hereby, to any third party, other than on a confidential basis to its legal and financial advisors, without the prior written consent of the other, save and except as may be required by law. Without limitation, no press releases, public announcements or public displays of any Products made specifically for JDSU shall be made without the mutual written agreement of both parties.
- 23.9 **Notice.** Any notice, consent or other document required to be sent pursuant to this Agreement shall be in writing and shall be deemed to be validly given by the delivery thereof to its recipient, either personally, by registered mail, prepaid mail, prepaid courier or, where a number is provided, by facsimile transmission. Notices shall be sent to the following:

For Supplier:

c/o Fabrinet Co., Ltd.
294 Moo 8, Vibhavadi Rangsit Road
Kookot, Lamlooka
Pathumthani, Thailand 12130
Attention: Executive Administrator
Tel. +662 998 9955
Fax: +662 998 9957

For JDSU:

1768 Automation Parkway, ,
San Jose, California, USA 95131
Tel: (416) 546-4788
Attn: Mary Emerton

With a copy to:

Attn: General Counsel
Fabrinet
4104 – 24th Street, #345
San Francisco, CA 94114
Fax: (815) 333-3648

Legal notices only, copied to:
Attn: Legal Dept.
JDS Uniphase Corporation
3000 Merivale Road
Ottawa, Ontario, Canada K2G 6N7
Fax: (613) 823-2486

Any written notice is deemed to have been received: at the time of its delivery, if sent by personal delivery, registered mail or prepaid courier; on the seventh (7th) day following its sending, if sent by prepaid mail; or, on the second (2nd) day following its sending, if transmitted by facsimile transmission or otherwise transmitted electronically, as may be permitted in this Agreement for certain documents. The above addresses may be changed at any time by either party with prior written notice as provided above.

- 23.10 **Relationship/Subcontractors.** The relationship between JDSU and Supplier is intended to be and shall be that of buyer and Supplier. A party and its employees, agents and representatives shall under no circumstances be considered agents, partners, and parties to a joint venture or representatives of the other party. Neither party shall act or attempt to act, or represent itself, directly or by implication as agent, party to a joint venture with the other party, partner or representative of the other, or in any manner assume or attempt to assume or create any obligation or liability of any kind, express or implied, on behalf of, or in the name of, the other. Supplier shall be responsible to JDSU for all work performed by Supplier's subcontractor(s), if Supplier's use of subcontractors is permitted by JDSU.

- 23.11 **Successors.** This Agreement shall enure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns.
- 23.12 **Survival.** Notwithstanding the expiration or termination of this Agreement, the following provisions shall each survive in accordance with their terms: Section 1 (Definitions), Section 6.5 (Late Delivery), Section 6.6 (Consequences of Late Delivery), Section 10 (Intellectual Property Ownership), Section 11.2 (License to Supplier Basic IP/Improvements/New Technology), Section 11.3 (License Restrictions), Section 15 (Product Warranty), Section 16 (Support Services), Section 17 (Indemnities and Limitation of Liability), Section 18 (Confidentiality), Section 19 (Restrictions), Section 22 (Termination), and this Section 23 (Miscellaneous).
- 23.13 **Time of the Essence.** Time shall be of the essence in all Supplier obligations related to this Agreement.
- 23.14 **Reduction and Severability.** If any provision or any part thereof contained in this Agreement is, for any reason, held to be invalid or unenforceable in any respect under the laws of any jurisdiction where enforcement is sought, such invalidity or unenforceability shall not affect any other provision of this Agreement and this Agreement shall be construed (a) as if such invalid or unenforceable provision or part thereof had been effectively modified to the extent necessary to avoid the illegality or unenforceability of such provision, if possible, and if not, then (b) as if such invalid or unenforceable provision or part thereof had not been contained herein.
- 23.15 **Waiver.** No party shall be deemed to have waived the exercise of any right that it holds under this Agreement or at law unless such waiver is expressly made in writing. Failure of a party at any time, and for any length of time, to require performance by the other party of any obligation under this Agreement shall in no event affect the right to require performance of that obligation or the right to claim remedies for breach under the Agreement or at law. A waiver by a party of any breach of any provision of this Agreement, unless otherwise expressly stated in writing, is not to be construed as a waiver of any continuing or succeeding breach of such provision, a waiver or modification of the provision itself, or a waiver or modification of any right under this Agreement or at law.
- 23.16 **Further Assurances.** Each party shall execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to carry out the full intent and meaning of this Agreement, including without limitation all documents necessary or useful in connection with the granting and perfecting of rights and supply of products and services contemplated in this Agreement.
- 23.17 **JDSU Customer Requirements.** Supplier acknowledges that the customers of JDSU have requirements that may change from time to time regarding (without limitation) Specifications, Quality Systems, and inspections of manufacturing procedures, the Facility, and other places or facilities at which any of the Products or JDSU Property is stored, kept or located. Subject to reasonable notice mutual agreement with respect to any associated costs, such Customer specific requirements shall be included as required from time to time in the applicable Product Schedules, and Supplier shall be bound by those requirements.
- 23.18 **Accounting.** Any accounting term not otherwise defined has the meaning assigned to it and all accounting matters shall be determined in accordance with generally accepted accounting principles, as applicable from time to time in the United States, applied on a consistent basis.
- 23.19 **Counterparts/Facsimile Signatures.** This Agreement, and any amendment, supplement, restatement or termination of any provision hereof may be signed, executed and delivered by manual or facsimile signature in several counterparts of like form, each of which when so executed and delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

JDS UNIPHASE CORPORATION

By: /s/ Debbie Shoquist
 Name: Debbie Shoquist
 Title: SVP Operations
 Date: _____

SUPPLIER: FABRINET CORPORATION

By: _____
 Name: _____
 Title: _____
 Date: _____

LIST OF SCHEDULES

SCHEDULE A	Non Disclosure Agreement
SCHEDULE B	Template Product Schedule
SCHEDULE C	Trade Compliance Schedule
SCHEDULE D	Bintan Site Transfer Schedule
SCHEDULE E	Bintan Inventory
SCHEDULE F	Technical Data Letter of Assurance
SCHEDULE G	Loan Agreement
SCHEDULES H to L	Product Schedules

SCHEDULE A
MUTUAL NON-DISCLOSURE AGREEMENT

The parties are engaged in discussions and/or activities which may involve disclosure of certain confidential information, and in consideration of the mutual covenants herein, the parties agree as of the Effective Date of the Contract Manufacturing Agreement to which this NDA is attached (“**Effective Date**”) as follows:

1. The parties to this Agreement are **JDS Uniphase Corporation**, a Delaware Corporation, having offices at 1768 Automation Parkway, San Jose, California 95131 on behalf of itself and its subsidiaries (herein collectively referred to as “**JDSU**”) and:

Name: **Fabrinet**

Address: 294 Moo 8, Vibhavadi Rangsit Road Kookot, Lamlooka Pathumthani, Thailand 12130

on behalf of itself and its subsidiaries (herein collectively referred to as “**Company**”).

2. “**Confidential Information**” shall mean any business, marketing, technical, scientific, financial or other information, specifications, designs, plans, drawings, software, prototypes or process techniques, of a party, which at the time of disclosure, is designated as confidential (or like designation), is disclosed in circumstances of confidence, or would be understood by the parties, exercising reasonable business judgment, to be confidential, including information viewed or learned by a party during a visit to the other party’s facilities, and the identity of the parties and the fact that the parties are in contact with each other, in each case disclosed during the Activities, and any specific information identified in an attachment referring to this Agreement and signed by the parties (*listing specific confidential information in an attachment is optional*).

3. A party receiving Confidential Information under this Agreement (“**Recipient**”) shall use the Confidential Information of the other party only for the purpose of the following (“**Activity**”): (Identify the Activities such as: business discussions for...; development of...; supply of...; etc.)

Business and technical discussions and other exchanges of information between the parties related to the supply of products and/or services by Company to JDSU.

4. For a period of five (5) years from the date of each disclosure of Confidential Information, Recipient shall (i) keep Confidential Information of the disclosing party (“**Discloser**”) in confidence; disclose it only to directors, officers, employees and financial and legal advisors of the Recipient with a need to know and who are under similar confidentiality restrictions as contained in this Agreement and reproduce it only to the extent necessary for the Activity; and (ii) protect Confidential Information of Discloser with at least the same degree of care as it normally exercises to protect its own confidential information of a similar nature, but no less than a reasonable degree of care. Recipient shall not reverse engineer, disassemble or decompile any samples, prototypes, software or other tangible objects provided by Discloser hereunder except with the express written authorization from Discloser. The parties shall be liable for any breach of this Agreement by their respective directors, officers, employees and financial and legal advisors.

5. All Confidential Information is provided on a without prejudice basis, ‘as is’ and shall remain the sole property of the Discloser. Discloser shall have no liability whatsoever from the use of its Confidential Information by Recipient which shall be returned upon written request or voluntarily by Recipient.

6. These restrictions on the use or disclosure of Confidential Information shall not apply to any Confidential Information which:

- a) was known by the Recipient prior to disclosure, as evidenced by its business records;
- b) is lawfully received free of restriction from another source having the right to so furnish such confidential information;
- c) is independently developed by or for the Recipient without reference to or use of Confidential Information;
- d) is or becomes lawfully in the public domain other than through a breach of this Agreement;
- e) Discloser agrees in writing is free of such restrictions;
- f) is disclosed by the Discloser to a third party without a duty of confidentiality on such third party; or
- g) is required or compelled by law to be disclosed, provided that the Recipient gives all reasonable prior notice to the Discloser to allow it to seek protective or other court orders.

7. No license is either granted or implied by the conveying of Confidential Information to the Recipient. None of the Confidential Information which may be disclosed by Discloser shall constitute any representation, warranty, assurance, guarantee or inducement by Discloser of any kind, and, in particular, with respect to the non-infringement of any intellectual property rights, or other rights of third parties or the Discloser.

8. Neither this Agreement nor the disclosure or receipt of Confidential Information shall constitute or imply any promise or intention to make any purchase of products or services, partnership or any commitment or representation with respect to the present or future development or marketing of any product or service by either party.

9. Recipient agrees that any violation or threat of violation hereof will result in irreparable harm to Discloser for which damages would be an inadequate remedy and therefore in addition to its rights and remedies otherwise available at law, Discloser may seek equitable and administrative relief as a court or administrative authority may deem proper, including injunctions, to prevent any unauthorized use or disclosure.

10. Recipient shall adhere to all Canadian and US export laws and regulations and shall not export or re-export or otherwise transmit, directly or indirectly, any Confidential Information, or the direct product of Confidential Information, except with the applicable government export approvals or export permits.

11. This Agreement may be terminated by providing ten (10) business days prior written notice to the other party. Recipient agrees that all of its obligations undertaken herein shall survive termination.

12. This Agreement constitutes the entire understanding between the parties hereto as to the Confidential Information and merges all prior discussions between them relating thereto. A copy or facsimile of an original signed Agreement shall have the same force and effect as the original document.

13. No amendment or modification of this Agreement shall be valid or binding on the parties unless made in writing and signed by the parties’ respective duly authorized representatives.

14. This Agreement shall be governed by the applicable laws of the State of New York, excluding its conflict of law provisions. The parties irrevocably attorn to the courts of Santa Clara County or the United States District Court – Northern District of California.

Company: Fabrinet

By: _____
(Signature)

(Name)

(Title)

JDS Uniphase Corporation

By: _____
(Signature)

(Name)

(Title)

SCHEDULE B

FORM OF PRODUCT SCHEDULE

This Product Schedule, effective _____ 200*, (**Effective Date**) is being made in connection with the JDS Uniphase Contract Manufacturing Agreement (Agreement) entered into between JDS Uniphase Corporation (“JDSU”) and *[SUPPLIER’S FULL CORPORATE NAME]* (Supplier) as of *[DATE]*. Any terms not defined herein are defined in the Agreement. Each of the parties agree as follows:

1. Product, Specifications, Initial Forecast, and Prices

Product Description

JDSU Part Number

Supplier Manufacturing Facility

Initial Forecast (Units)

Product Lead Time (Business Days)

Unit Price (US Dollars)

Cost Reduction Roadmap

Special Inventory:

- **Long Lead Time Items**
- **Minimum Order Quantity Items**
- **Non-Cancelable Non-Returnable (NCNR)**

Inventory Management Programs:

- **Safety Stock Items**
- **Kan-ban Items**
- **Min/Max Items**

FCA Point (Incoterms, 2000)

JDSU Equipment

JDSU Material

2. Know-How

That Know-how provided by JDSU to Supplier, or acquired by Supplier from JDSU in any way, whether through training, tours of or visits to JDSU’s plants or facilities, interviews or meetings with JDSU or its representatives, as well as all that Know-how described, listed or outlined in the following JDSU Material and JDSU Equipment (visual, written or otherwise) or documents *[insert references if applicable]*.

3. JDSU Contact for Notices:

The following JDSU representative shall be the recipient of notices issued pursuant to the Agreement in respect of matters relating to the Products specified in this Product Schedule.

[Specify: Name of JDSU Representative; Address; Fax Number]

4. PRODUCT-SPECIFIC TERMS AND CONDITIONS

[Include any product-specific terms and conditions or amendments to the Agreement which apply only to the specified product(s), such as safety stock programs, ramp up programs, or special inventory provisions.]

5. DECLARATION

Upon execution of this document entitled Product Schedule by both parties, as required, the document shall automatically be incorporated into the Agreement. In the event of any conflict or inconsistency between this Product Schedule and the other terms of the Agreement, the terms in this Product Schedule shall apply, to the extent of such conflict or inconsistency.

6. FACSIMILE SIGNATURES

Following execution by a party of this Product Schedule, the document may delivered by facsimile in several counterparts of like form, each of which when so executed and/or delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Notwithstanding that executed documents may be delivered by facsimile, the parties shall ensure each is provided with original signed copies of each Product Schedule for their respective records.

IN WITNESS WHEREOF the following duly authorized representatives of each party hereto have executed this Product Schedule. **This Product Schedule shall not be incorporated into the Agreement until approved by JDSU legal counsel and signed by an authorized JDSU representative.**

JDS Uniphase Corporation

Supplier

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE C

Trade Compliance Schedule

Supplier acknowledges that the Products and any related information, materials, software and/or technology (collectively the “Materials”) may be subject to governmental import and export controls. Supplier represents and warrants that (a) Supplier and any Materials, provided and/or any activities or services performed by Supplier hereunder, shall at all times, comply with all applicable laws, rules, policies, procedures, governmental orders, treaties and/or regulations, including without limitation all applicable customs, import, export and/or re-export related laws, rules, policies, procedures, governmental orders, treaties and/or regulations specifically including, but not limited to, the Export Administration Act (“EAA”), the Export Administration Regulations (“EAR”); including the requirement for obtaining any export license or agreement, if applicable; (b) no relevant agency has suspended, revoked or denied Supplier’s export and/or import privileges; (c) Supplier is not located in or under the control of a national or resident of, a jurisdiction where the contemplated activities are prohibited; (d) shall not, in any manner whatsoever, directly or indirectly, separately or as part of any system, either remove, convey, export, import or transmit the Materials in violation of the applicable laws, rules, policies, procedures, governmental orders, treaties and/or regulations; and (e) Supplier shall comply with JDSU’s Trade and Compliance Requirements, as amended from time to time.

In addition, and without limiting the foregoing, in a timely manner and at Supplier’s cost, Supplier shall:

General

- Employ and/or retain adequate experienced trade and compliance resources needed to manage and oversee trade and compliance activities for Supplier. JDSU may audit and monitor Supplier’s trade related performance and compliance.
- Comply with and perform all actions necessary to participate in, and qualify Products for preferential treatment (including without limitation duty reduction or elimination) under, the rules of any trade treaty related to the Products (including but not limited to the North American Free Trade Agreement (“NAFTA”), General Agreement on Tariffs and Trade (“GATT”), Singapore Free Trade Agreement (SFTA), Generalized System of Preferences (GSP), and/or Licensed Manufacturing Warehousing (LMW) (each a “Preferential Trade Agreement”)) including, without limitation, reasonably assisting JDSU in resolving Product eligibility issues and providing JDSU with valid, accurately completed exporters’ certificates of origin, any and all other certificates, and/or answering questionnaires, for all Products that qualify for preferential duty treatment under any Preferential Trade Agreement.
- Promptly take all necessary actions required to become a member of the United States Homeland Security Customs Trade Partnership Against Terrorism (“C-TPAT”) program, and shall, as of the effective date of the Agreement, comply with the requirements and recommendations of C-TPAT guidelines as described by JDSU and/or U.S. Customs from time to time, including deployment and compliance to and by all offshore locations. In addition, and as part of the C-TPAT requirements, ensure that there is adequate security within Supplier’s global supply chain, including but not limited to: procedural security; physical security; access controls; personnel security; education and training awareness; manifest procedures; and conveyance security.

Documentation and Shipping Requirements

- Prepare and obtain all the necessary documentation, licenses, permits and/or approvals required for export and/or import of the Materials.
- In advance of shipment, ensure that all transaction documentation is fully compliant and contains any and all necessary trade related data needed to facilitate a compliant export and subsequent import (i.e.: Harmonized Tariff Schedule, the U.S. Export Commodity Classification Number, and the Destination Control Statement).
- Ensure that the customs/commercial invoices and Country of Origin declarations/documents for all product shipments crossing international borders comply with all applicable laws, rules, policies, procedures, government orders, treaties and/or regulations of both the exporting country and the importing country.
- Affix to its shipments a visible packing slip that contains all relevant order/shipment information.
- Ensure that JDSU’s routing instructions are adhered to with respect to the product transfer and sale.

- Retain all shipment (transaction) records (including, without limitation, the packing lists, commercial invoices, bills of lading, shipper's export declarations or outward declarations, and/or export licenses) for a period of seven (7) years after the date of shipment. Records can be stored in any media form (i.e. tape, CD, disk, etc.) however, actual reproduction of documents upon request will be required by the U.S. Customs Homeland Security Department.
- Secure copies of the carrier (through) bill of lading (B/L) from the carrier and file it with the respective transaction records.
- Ship products directly to the destination indicated by JDSU and not divert or alter the ship-to address data without JDSU's prior written consent. Please refer to the "Contact List" for details.
- At the time of shipment, provide JDSU GTC with shipping details and copies of the shipping records for all shipments destined for the U.S. Please refer to the "Contact List" for details.
- Use only JDSU approved carriers and brokers (deviations must be approved in advance, in writing, by JDSU).

Marking and Classification Requirements

- Provide proper product and carton country-of-origin markings, in indelible ink, in accordance with applicable regulations, and prepare and maintain the required cost analysis and assessment needed to validate country-of-origin markings.
- Not, at any time, classify JDSU products, software or technology without first receiving written consent from JDSU's GTC staff. JDSU's Global Trade and Compliance (GTC) team will provide product classification data (ECCN and HTS) for all finished products to Supplier. Please refer to the "Contact List" for details.

Supplier will indemnify, defend, and hold JDSU harmless from and against any violation or alleged violation by Supplier of these Trade and Compliance Requirements, including without limitation, any applicable laws, rules, policies, procedures, governmental orders, treaties and/or regulations.

Any trade related records, facilities, systems, data, equipment, procedures and/or personnel of Supplier or its subcontractors ("Records") shall be subject to audit, inspection or reproduction by JDSU, JDSU representatives, and/or any governmental authority or agency, at reasonable times upon reasonable notice (which shall be no longer than thirty six (36) hours notice) as needed to verify Supplier's compliance with the Agreement and JDSU's Trade and Compliance Requirements. Records shall be accurate, complete and maintained in accordance with recognized commercial accounting practices and standards. The rights and obligations under this paragraph shall survive for seven (7) years after expiration or termination of the Agreement.

JDSU may, upon notice to Supplier, change the identified contact personnel.

SCHEDULE D

BINTAN SITE TRANSFER SCHEDULE

[To be completed and attached]

SCHEDULE E

BINTAN INVENTORY SCHEDULE

[To be completed and attached]

SCHEDULE F

**TECHNICAL DATA
LETTER OF ASSURANCE**

I, the undersigned, do hereby certify that, unless prior approval is obtained from the Bureau of Industry and Security (formerly Bureau of Export Administration) of the U.S. Department of Commerce, I will not knowingly export or reexport, directly or indirectly, any technical data (including software), know-how, or direct product¹ thereof, delivered or otherwise released by JDS Uniphase Corporation under License Exception TSR (including, but not limited to, any training or any oral or visual release) to any of the countries listed in Country Groups D:1 or E:2 in Supplement No. 1 to Section 740 of the U.S. Export Administration Regulations (listed below).

Although the members of the Country Groups may change from time to time, they are currently defined as follows:

Country Group D:1

Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Cambodia, China (PRC), Estonia, Georgia, Kazakhstan, Kyrgyzstan, Laos, Latvia, Lithuania, Macau, Moldova, Mongolia, North Korea, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, Vietnam

Country Group E:2

Cuba, Libya

Signature

Date

Printed Name

Title

¹ For purposes of this Letter of Assurance, the term "direct product" is defined to mean the immediate product (including processes and services) produced directly by use of the technical data or know-how.

SCHEDULE G

LOAN AGREEMENT

THIS LOAN AGREEMENT (“**Agreement**”) is entered into as of November 15, 2004 (“**Effective Date**”) between JDS Uniphase Corporation with offices located at 1768 Automation Parkway, San Jose, California 95131 (“**JDSU**”) and Fabrinet with offices located at 294 Moo 8, Vibhavadi Rangsit Road Kookot, Lamlooka Pathumthani, Thailand 12130 (“**Consignee**”) (each, a “**Party**” and collectively, the “**Parties**”);

In consideration of the mutual promises and covenants herein contained, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **Equipment Provided.** Subject to the terms and conditions of this Agreement, JDSU will supply and loan the Equipment set out in Schedule A (“**Equipment**”) to Consignee.
2. **Term.** This Agreement shall commence on the Effective Date of the Contract Manufacturing Agreement (CMA) and terminate in accordance with the CMA (“**Term**”), unless terminated earlier in accordance with any provision of this Agreement.

3. **Permitted Use.** JDSU grants Consignee a limited license to use the Equipment only for the following purposes:

The manufacture of Products and the provision of related services under the CMA.

Consignee acknowledges and agrees that Consignee is only a bailee of the Equipment on the terms and conditions set out in this Agreement, and that Consignee accepts full responsibility for the Equipment, including its use in accordance with any operation instructions provided or government regulations. Consignee will not pledge or otherwise encumber the Equipment. In the event the premises in which the Equipment is installed are encumbered in any way (e.g. a financial institution has a security interest in the premises), Consignee shall provide notice to any party having such an interest that a) the Equipment is installed within such premises; b) the Equipment is the property of JDSU; c) any encumbrance over the premises itself does not extend to the Equipment; and d) JDSU retains its rights of recovery and repossession of the Equipment. Consignee shall immediately report to JDSU: (i) any seizure or attachment of the Equipment by Consignee’s creditors; (ii) any petition in bankruptcy, insolvency, receivership or similar proceedings filed by, or against, Consignee; or (iii) any arrangement, composition or similar agreement for the benefit of Consignee’s creditors. Consignee appoints JDSU as its attorney to do all things, execute all documents, and otherwise act in place of Consignee, for the purposes of giving effect to this Agreement, including to recover possession of the Equipment, recover amounts due under the Agreement, or for other purposes incidental to this Agreement.

4. **No Transfer of Ownership.** Nothing in this Agreement shall be deemed to convey any title or ownership interest in the Equipment, and Consignee will not remove any sticker from the Equipment giving notice of JDSU’s ownership of the Equipment. Ownership and all right, title and interest in and to any patents, copyrights, trade secrets, trademarks, trade names, service marks, Confidential Information as defined under the Non-Disclosure Agreement between the parties (“**Non-Disclosure Agreement**”) or any other proprietary rights relating to any Equipment (“**Proprietary Information**”) are and shall remain vested solely in JDSU.
5. **Prohibited Uses.** Consignee shall use the Equipment only for the permitted use as described in Section 3. Any use or activity by or on behalf of Consignee associated with Equipment that is not expressly permitted by this Agreement is prohibited. Without limiting the generality of the immediately preceding sentence, Consignee agrees not, and not to allow others, to: (i) modify, alter, disassemble, cut, destroy, cleave, crush or reverse-engineer Equipment; (ii) sell, rent, loan, donate, give any guarantee or security interest in, transfer possession or purport to transfer title in any way of, Equipment to any third party; (iii) allow any employee, agent or contractor not adequately trained to work with Equipment or not involved in the testing or demonstration of the Equipment to have access to the Equipment; or (iv) use or transport the Equipment outside of Consignee’s own facilities without written permission from JDSU.

6. **Costs.** [***] will bear all costs and expenses associated with [***] calibration of this equipment. [***] is responsible for the ongoing maintenance of the Equipment. [***] shall bear all risk of loss regarding, and be liable for any damage to, the Equipment (reasonable wear and tear excepted). Applicable shipping and insurance costs shall be borne by Consignee. Consignee will insure the Equipment against loss or damage during the term of this Agreement, and will deliver to JDSU, upon request, proof of such insurance. Consignee shall pay to JDSU the new replacement cost as assessed by JDSU of the Equipment that is lost, stolen, destroyed or damaged beyond repair. Consignee shall pay to JDSU a reasonable calibration and refurbishing fee in the event that ownership labels, calibration seals or anti-tamper notices affixed to the Equipment are removed or defaced. Any item, article, accessory, document or thing supplied in conjunction with the Equipment (including operation manuals) not returned to JDSU upon termination or expiry of this Agreement shall be paid for by Consignee with a fee determined by JDSU being charged to Consignee. FCA point shall be FCA JDSU facility and risk of loss shall transfer at the FCA point (for delivery and return).
7. **NO WARRANTY.** ALL EQUIPMENT IS PROVIDED TO CONSIGNEE "AS IS," AND JDSU DISCLAIMS ANY REPRESENTATION, CONDITION OR WARRANTY OF ANY KIND, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY WITH REGARD TO PERFORMANCE, MERCHANTABILITY, RIGHT, TITLE OR INTEREST, FITNESS FOR A PARTICULAR PURPOSE OR NONINFRINGEMENT OF THIRD PARTY RIGHTS. CONSIGNEE BEARS THE ENTIRE RISK AS TO THE QUALITY AND PERFORMANCE OF EQUIPMENT. WITHOUT LIMITATION, CONSIGNEE ASSUMES ALL RISKS AND LIABILITIES FOR THE EQUIPMENT, AND FOR THE USE, OPERATION OR STORAGE THEREOF, AND FOR INJURIES OR DEATHS OF PERSONS AND DAMAGE TO PROPERTY, HOWSOEVER ARISING, FROM OR INCIDENT TO SUCH USE, OPERATION OR STORAGE, WHETHER SUCH INJURY OR DEATH BE OF AGENTS OR EMPLOYEES OF CONSIGNEE OR OF THIRD PARTIES, AND SUCH DAMAGE BE TO PROPERTY OF CONSIGNEE OR OF OTHERS.
8. **Limitation of Liability.** TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL JDSU, ITS OFFICERS AND DIRECTORS, EMPLOYEES, CONTRACTORS, AGENTS AND THEIR REPRESENTATIVES BE LIABLE TO CONSIGNEE OR ANY THIRD PARTY FOR ANY DAMAGES, WHETHER DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY COSTS OR DAMAGES, INCLUDING WITHOUT LIMITATION, LITIGATION COSTS, INSTALLATION AND REMOVAL COSTS, LOSS OF DATA, DAMAGE TO PROPERTY, LOSS OF PRODUCTION OR PROFIT, ARISING FROM ANY CAUSE WHATSOEVER INCLUDING, WITHOUT LIMITATION, FROM ANY PERSONAL INJURY OR DEATH, REGARDLESS OF THE FORM OF THE ACTION, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, OR OTHERWISE, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH COSTS OR DAMAGES. THIS SECTION AND THE LIMITATIONS SET FORTH HEREIN, SHALL SURVIVE A FUNDAMENTAL BREACH OR BREACHES AND/OR FAILURE OF THE ESSENTIAL PURPOSE OF THE AGREEMENT OR OF ANY REMEDY CONTAINED HEREIN.
9. **Indemnity.** Consignee shall indemnify and hold JDSU and its officers, directors, employees, contractors, agents and representatives, harmless from and against any and all claims, suits, actions, proceedings, losses, damages, penalties, liability, costs (including reasonable attorneys' fees), or any other expenses of whatever nature, including, without limitation, related to damage to property, personal injury and/or death arising out of any act, default, misrepresentation or any omission on the part of Consignee (including negligence), its agents, employees or Consignee representatives, or any third party. Consignee agrees to provide proper training, disclose hazards, and issue safety notices, to all employees, agent or subcontractor having access to Equipment. Without limiting the foregoing, Consignee shall indemnify, save and hold JDSU and its officers, directors, employees, contractors, agents and representatives harmless from and against all claims, suits, actions, proceedings, losses, damages, penalties, liability, costs (including reasonable attorneys' fees), or any other expenses of whatever nature, howsoever arising or incurred because of or incidental to the Equipment or the use, operation or storage or alleged use, operation or storage thereof.

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

10. **Confidentiality.** The provisions of the Non-Disclosure Agreement shall apply to the terms and conditions of this Agreement as well as the business relationship between the Parties including but not limited to business and technical discussions and other exchanges of information relating to the testing and evaluation of Equipment by Consignee.
11. **Export Compliance.** Consignee represents and warrants that Consignee shall, at all times, comply with all applicable laws, governmental orders and regulations and obtain all licenses, permits and approvals required by any government regarding the use or export/import of the Equipment. Consignee shall not transmit, export or re-export, directly or indirectly, separately or as part of any system, the Equipment or any technical data (including processes and services) received from JDSU, without first obtaining any license required by the applicable government, including without limitation, the United States Government and/or any other applicable competent authority. Consignee also certifies that none of the Equipment or technical data delivered to Consignee by JDSU under this Agreement will be delivered to or made available for use by or for, any entity that is engaged in the design, development, production or use of nuclear, biological or chemical weapons or missile technology.
12. **Notices.** Any notice or consent required to be sent pursuant to this Agreement shall be in writing and shall be deemed to be validly given by the delivery to its recipient, or where a facsimile number is provided, by facsimile transmission, with an original to follow by overnight courier. Any written notice is deemed to have been received, if sent by personal delivery or registered mail, at the time of its delivery, or if transmitted by facsimile transmission followed by overnight courier on the first (1st) business day following its sending.
13. **Termination.** JDSU may terminate this Agreement at any time on notice to Consignee, which notice shall specify a date on which such termination is to be effective. On the date specified for termination or on expiration of this Agreement, Consignee agrees to: (a) immediately cease using the Equipment if it had not already done so; (b) immediately return to JDSU all Equipment in original condition, minus normal wear and tear, and all written materials and technical data describing, relating to, showing or derived from the Equipment or its use, failing such return JDSU may repossess the Equipment and charge Consignee for all of its costs and expenses incurred in doing so. Consignee consents to JDSU, its servants and agents entering Consignee premises where the Equipment is located, using such force as is necessary to repossess the Equipment. JDSU will not be liable for any damage to property caused by any person in collecting the Equipment. In the event that Consignee does not return the Equipment within the time periods described herein, in addition to any repossession rights JDSU may or may not exercise, JDSU may, at its option, charge Consignee a late fee equal to ten percent (10%) of the list price for the Equipment for each thirty (30) day period Consignee is late in returning Equipment. All other obligations which by their nature would survive termination of this Agreement shall survive termination.
14. **General.** This Agreement shall enure to and bind the Parties and their respective legal representatives, successors, assigns, subsidiaries and any party claiming by, through or under either Party. This Agreement constitutes the entire agreement between the parties hereto concerning the subject matter of this Agreement, apart from existing non-disclosure agreements, and there are no understandings, agreements, representations, conditions, warranties, or other terms, express or implied, which are not specified herein. No amendment of any provision of this Agreement shall be valid and binding unless the same shall be in writing and signed by the Parties. Consignee shall not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of JDSU, acting in its sole discretion. Waiver by JDSU of any provision herein must be in writing and shall not be deemed to be a waiver of such provision in the future or of any other provision. Neither party has the right or authority to, and shall not, assume or create any obligation of any nature whatsoever on behalf of the other party or bind the other party in any respect whatsoever. In the event that any of the terms of this Agreement become or are declared to be illegal by any court of competent jurisdiction, such terms shall be null and void and shall be deemed deleted from this Agreement, but only to the extent that such term is illegal, it being the intent and agreement of the parties that the Agreement shall be deemed amended by modifying such term to the extent necessary to make it legal while preserving its intent or, if that is not possible, by substituting therefor another term that is legal and achieves the same objective. All remaining terms of this Agreement shall remain in full force and effect. The Parties hereby agree that any matters related to this Agreement shall be governed by the laws of the State of New York.

This Agreement may be signed by manual or facsimile signature in several counterparts of like form, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

JDS UNIPHASE CORPORATION

Fabrinet

By: _____
Name: Debbie Shoquist
Title: SVP, Operations
Date:

By: _____
Name:
Title:
Date:

Exhibit A
EQUIPMENT

SCHEDULE H

PRODUCT SCHEDULE

This Product Schedule, effective April 1, 2004, (**Effective Date**) is being made in connection with the JDS Uniphase Contract Manufacturing Agreement (Agreement) entered into between JDS Uniphase Corporation ("JDSU") and Fabrinet (Supplier) as of November 15, 2004. Any terms not defined herein are defined in the Agreement. Each of the parties agree as follows:

1. Product, Specifications, Initial Forecast, and Prices

Product Description	[***]
JDSU Part Number	See Appendix 1
Supplier Manufacturing Facility	Fabrinet's Patumthanee Facility
Initial Forecast (Units)	See Appendix 1
Product Lead Time (Business Days)	4 weeks
Unit Price (US Dollars)	See Appendix 1
Cost Reduction Roadmap	Fabrinet to establish by November 30, 2004 per Q2 Target expectation set in October 14, 2004 Quarterly Business Review
Special Inventory:	See Appendix 2
- Long Lead Time Items	
- Minimum Order Quantity Items	
- Non-Cancelable Non-Returnable (NCNR)	
Inventory Management Programs:	Not Applicable
- Safety Stock Items	
- Kan-ban Items	
- Min/Max Items	
FCA Point (Incoterms, 2000)	[***]
JDSU Equipment	See Schedule G
JDSU Material	Not Applicable

2. Know-How

That Know-how provided by JDSU to Supplier, or acquired by Supplier from JDSU in any way, whether through training, tours of or visits to JDSU's plants or facilities, interviews or meetings with JDSU or its representatives, as well as all that Know-how described, listed or outlined in the following JDSU Material and JDSU Equipment (visual, written or otherwise) or documents.

3. JDSU Contact for Notices:

The following JDSU representative shall be the recipient of notices issued pursuant to the Agreement in respect of matters relating to the Products specified in this Product Schedule.

Mary Emerton, Global Supply Management
1768 Automation Parkway
San Jose, California 95131

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

U.S.A.
Phone Number: (408) 546-4788
Fax Number: (408) 546-4646

4. PRODUCT-SPECIFIC TERMS AND CONDITIONS

Not Applicable.

5. DECLARATION

Upon execution of this document entitled Product Schedule by both parties, as required, the document shall automatically be incorporated into the Agreement. In the event of any conflict or inconsistency between this Product Schedule and the other terms of the Agreement, the terms in this Product Schedule shall apply, to the extent of such conflict or inconsistency.

6. FACSIMILE SIGNATURES.

Following execution by a party of this Product Schedule, the document may delivered by facsimile in several counterparts of like form, each of which when so executed and/or delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Notwithstanding that executed documents may be delivered by facsimile, the parties shall ensure each is provided with original signed copies of each Product Schedule for their respective records.

IN WITNESS WHEREOF the following duly authorized representatives of each party hereto have executed this Product Schedule. **This Product Schedule shall not be incorporated into the Agreement until approved by JDSU legal counsel and signed by an authorized JDSU representative.**

JDS Uniphase Corporation

Supplier

By: _____
Name: Debbie Shoquist
Title: Senior Vice President, Operations
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

Appendix 1
Product Schedule H

<u>Type</u>	<u>Rate/Reach</u>	<u>Oracle #</u>	<u>Unit \$</u>	<u>Initial Forecast</u>
[***]	[***]	[***]	[***]	[***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 2
Product Schedule H

<u>Item Number</u>	<u>Item Description</u>	<u>Manufacture Name</u>	<u>Purchasing LT</u>	<u>NCNR</u>
[***]	[***]	[***]	[***]	[***]

*** Two (2) consecutive pages from this Appendix 2 have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SCHEDULE I

PRODUCT SCHEDULE

This Product Schedule, effective October 1, 2004, (**Effective Date**) is being made in connection with the JDS Uniphase Contract Manufacturing Agreement (Agreement) entered into between JDS Uniphase Corporation ("JDSU") and Fabrinet (Supplier) as of November 15, 2004. Any terms not defined herein are defined in the Agreement. Each of the parties agree as follows:

1. Product, Specifications, Initial Forecast, and Prices

Product Description	[***]
JDSU Part Number	See Appendix 1
Supplier Manufacturing Facility	Fabrinet's Patumthanee Facility
Initial Forecast (Units)	Various; JDSU to provide Initial Forecast to Fabrinet by November 30, 2004
Product Lead Time (Business Days)	3 weeks
Unit Price (US Dollars)	See Appendix 1
Cost Reduction Roadmap	Fabrinet to establish by November 30, 2004 per Q2 Target expectation set in October 14, 2004 Quarterly Business Review
Special Inventory:	
- Long Lead Time Items	See Appendix 2
- Minimum Order Quantity Items	
- Non-Cancelable Non-Returnable (NCNR)	
Inventory Management Programs:	
- Safety Stock Items	Not Applicable
- Kan-ban Items	
- Min/Max Items	
FCA Point (Incoterms, 2000)	[***]
JDSU Equipment	See Schedule G
JDSU Material	Not Applicable

2. Know-How

That Know-how provided by JDSU to Supplier, or acquired by Supplier from JDSU in any way, whether through training, tours of or visits to JDSU's plants or facilities, interviews or meetings with JDSU or its representatives, as well as all that Know-how described, listed or outlined in the following JDSU Material and JDSU Equipment (visual, written or otherwise) or documents.

3. JDSU Contact for Notices:

The following JDSU representative shall be the recipient of notices issued pursuant to the Agreement in respect of matters relating to the Products specified in this Product Schedule.

Mary Emerton, Global Supply Management
1768 Automation Parkway
San Jose, California 95131
U.S.A.
Phone Number: (408) 546-4788
Fax Number: (408) 546-4646

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

4. PRODUCT-SPECIFIC TERMS AND CONDITIONS

Not applicable.

5. DECLARATION

Upon execution of this document entitled Product Schedule by both parties, as required, the document shall automatically be incorporated into the Agreement. In the event of any conflict or inconsistency between this Product Schedule and the other terms of the Agreement, the terms in this Product Schedule shall apply, to the extent of such conflict or inconsistency.

6. FACSIMILE SIGNATURES

Following execution by a party of this Product Schedule, the document may delivered by facsimile in several counterparts of like form, each of which when so executed and/or delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Notwithstanding that executed documents may be delivered by facsimile, the parties shall ensure each is provided with original signed copies of each Product Schedule for their respective records.

IN WITNESS WHEREOF the following duly authorized representatives of each party hereto have executed this Product Schedule. **This Product Schedule shall not be incorporated into the Agreement until approved by JDSU legal counsel and signed by an authorized JDSU representative.**

JDS Uniphase Corporation

Supplier

By: _____
Name: Debbie Shoquist
Title: Senior Vice President, Operations
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

Appendix 1
Product Schedule I

<u>Type</u> [***]	<u>JDSU Part Number</u> [***]	<u>Unit \$</u> [***]	<u>Type</u> [***]	<u>JDSU Part Number</u> [***]	<u>Unit \$</u> [***]
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*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 2
Product Schedule I

<u>Item Number</u>	<u>Item Description</u>	<u>Manufacture Name</u>	<u>Purchasing LT</u>	<u>NCNR</u>
[***]	[***]	[***]	[***]	[***]

*** Three (3) consecutive pages from this Appendix 2 have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SCHEDULE J

PRODUCT SCHEDULE

This Product Schedule, effective August 13, 2004, (**Effective Date**) is being made in connection with the JDS Uniphase Contract Manufacturing Agreement (Agreement) entered into between JDS Uniphase Corporation ("JDSU") and Fabrinet (Supplier) as of November 15, 2004. Any terms not defined herein are defined in the Agreement. Each of the parties agree as follows:

1. Product, Specifications, Initial Forecast, and Prices

Product Description	[***]
JDSU Part Number	[***]
Supplier Manufacturing Facility	Fabrinet's Patumthanee Facility
Initial Forecast (Units)	4k per month
Product Lead Time (Business Days)	4 weeks
Unit Price (US Dollars)	See Appendix 1
Cost Reduction Roadmap	Fabrinet to establish by November 30, 2004 per Q2 Target expectation set in October 14, 2004 Quarterly Business Review
Special Inventory:	
- Long Lead Time Items	See Appendix 2
- Minimum Order Quantity Items	
- Non-Cancelable Non-Returnable (NCNR)	
Inventory Management Programs:	
- Safety Stock Items	Not Applicable
- Kan-ban Items	
- Min/Max Items	
FCA Point (Incoterms, 2000)	[***]
JDSU Equipment	See Schedule G
JDSU Material	Not Applicable

2. Know-How

That Know-how provided by JDSU to Supplier, or acquired by Supplier from JDSU in any way, whether through training, tours of or visits to JDSU's plants or facilities, interviews or meetings with JDSU or its representatives, as well as all that Know-how described, listed or outlined in the following JDSU Material and JDSU Equipment (visual, written or otherwise) or documents.

3. JDSU Contact for Notices:

The following JDSU representative shall be the recipient of notices issued pursuant to the Agreement in respect of matters relating to the Products specified in this Product Schedule.

Mary Emerton, Global Supply Management
1768 Automation Parkway
San Jose, California 95131
U.S.A.

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Phone Number: (408) 546-4788
Fax Number: (408) 546-4646

4. PRODUCT-SPECIFIC TERMS AND CONDITIONS

Not Applicable.

5. DECLARATION

Upon execution of this document entitled Product Schedule by both parties, as required, the document shall automatically be incorporated into the Agreement. In the event of any conflict or inconsistency between this Product Schedule and the other terms of the Agreement, the terms in this Product Schedule shall apply, to the extent of such conflict or inconsistency.

6. FACSIMILE SIGNATURES.

Following execution by a party of this Product Schedule, the document may delivered by facsimile in several counterparts of like form, each of which when so executed and/or delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Notwithstanding that executed documents may be delivered by facsimile, the parties shall ensure each is provided with original signed copies of each Product Schedule for their respective records.

IN WITNESS WHEREOF the following duly authorized representatives of each party hereto have executed this Product Schedule. **This Product Schedule shall not be incorporated into the Agreement until approved by JDSU legal counsel and signed by an authorized JDSU representative.**

JDS Uniphase Corporation

Supplier

By: _____
Name: Debbie Shoquist
Title: Senior Vice President, Operations
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

Appendix 1
Product Schedule J

<u>Type</u> [***]	<u>JDSU Part Number</u> [***]	<u>Unit Price Based on Volume Per Month</u>			
		<u>500</u> [***]	<u>1,000</u> [***]	<u>3,000</u> [***]	<u>10,000</u> [***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 2—Special Inventory List

Product Schedule J

<u>Item Number</u>	<u>Item Description</u>	<u>Manufacture Name</u>	<u>Purchasing LT</u>	<u>NCNR</u>
[***]	[***]	[***]	[***]	[***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SCHEDULE K

PRODUCT SCHEDULE

This Product Schedule, effective October 1, 2004 (**Effective Date**) is being made in connection with the JDS Uniphase Contract Manufacturing Agreement (Agreement) entered into between JDS Uniphase Corporation ("JDSU") and Fabrinet (Supplier) as of November 15, 2004. Any terms not defined herein are defined in the Agreement. Each of the parties agree as follows:

1. Product, Specifications, Initial Forecast, and Prices

Product Description	[***]
JDSU Part Number	See Appendix 1
Supplier Manufacturing Facility	Fabrinet's Patumthanee Facility
Initial Forecast (Units)	See Appendix 1
Product Lead Time (Business Days)	4 weeks
Unit Price (US Dollars)	See Appendix 1
Cost Reduction Roadmap	Fabrinet to establish by November 30, 2004 per Q2 Target expectation set in October 14, 2004 Quarterly Business Review
Special Inventory:	
- Long Lead Time Items	See Appendix 2
- Minimum Order Quantity Items	
- Non-Cancelable Non-Returnable (NCNR)	
Inventory Management Programs:	
- Safety Stock Items	Not Applicable
- Kan-ban Items	
- Min/Max Items	
FCA Point (Incoterms, 2000)	[***]
JDSU Equipment	See Schedule G
JDSU Material	Not Applicable

2. Know-How

That Know-how provided by JDSU to Supplier, or acquired by Supplier from JDSU in any way, whether through training, tours of or visits to JDSU's plants or facilities, interviews or meetings with JDSU or its representatives, as well as all that Know-how described, listed or outlined in the following JDSU Material and JDSU Equipment (visual, written or otherwise) or documents.

3. JDSU Contact for Notices:

The following JDSU representative shall be the recipient of notices issued pursuant to the Agreement in respect of matters relating to the Products specified in this Product Schedule.

Mary Emerton, Global Supply Management
1768 Automation Parkway
San Jose, California 95131
U.S.A.
Phone Number: (408) 546-4788
Fax Number: (408) 546-4646

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

4. PRODUCT-SPECIFIC TERMS AND CONDITIONS

Not Applicable.

5. DECLARATION

Upon execution of this document entitled Product Schedule by both parties, as required, the document shall automatically be incorporated into the Agreement. In the event of any conflict or inconsistency between this Product Schedule and the other terms of the Agreement, the terms in this Product Schedule shall apply, to the extent of such conflict or inconsistency.

6. FACSIMILE SIGNATURES

Following execution by a party of this Product Schedule, the document may delivered by facsimile in several counterparts of like form, each of which when so executed and/or delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Notwithstanding that executed documents may be delivered by facsimile, the parties shall ensure each is provided with original signed copies of each Product Schedule for their respective records.

IN WITNESS WHEREOF the following duly authorized representatives of each party hereto have executed this Product Schedule. **This Product Schedule shall not be incorporated into the Agreement until approved by JDSU legal counsel and signed by an authorized JDSU representative.**

JDS Uniphase Corporation

Supplier

By: _____
Name: Debbie Shoquist
Title: Senior Vice President, Operations
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

Appendix 1
Product Schedule K

<u>Item</u>	<u>Rev</u>	<u>Description</u>	<u>Total Price</u>	<u>Forecast Q205</u>
High Volume				
[***]	[***]	[***]	[***]	[***]

*** Two (2) consecutive pages from this Appendix 1 have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 2
Product Schedule K

<u>Item Number</u>	<u>Item Description</u>	<u>Manufacture Name</u>	<u>Purchasing LT</u>	<u>NCNR</u>
[***]	[***]	[***]	[***]	[***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SCHEDULE L

PRODUCT SCHEDULE

This Product Schedule, effective November 29, 2004, (**Effective Date**) is being made in connection with the JDS Uniphase Contract Manufacturing Agreement (Agreement) entered into between JDS Uniphase Corporation ("JDSU") and Fabrinet (Supplier) as of November 15, 2004. Any terms not defined herein are defined in the Agreement. Each of the parties agree as follows:

1. Product, Specifications, Initial Forecast, and Prices

Product Description	[***]
JDSU Part Number	See Appendix 1 and 2
Supplier Manufacturing Facility	Fabrinet's Bintan Facility
Initial Forecast (Units)	[***]
Product Lead Time (Business Days)	4 weeks
Unit Price (US Dollars)	See Appendix 1 and 2
Cost Reduction Roadmap	Fabrinet to establish by December 31, 2004
Special Inventory:	
- Long Lead Time Items	See Appendix 3
- Minimum Order Quantity Items	
- Non-Cancelable Non-Returnable (NCNR)	
Inventory Management Programs:	
- Safety Stock Items	Not Applicable
- Kan-ban Items	
- Min/Max Items	
FCA Point (Incoterms, 2000)	[***]
JDSU Equipment	See Schedule G
JDSU Material	Not Applicable

2. Know-How

That Know-how provided by JDSU to Supplier, or acquired by Supplier from JDSU in any way, whether through training, tours of or visits to JDSU's plants or facilities, interviews or meetings with JDSU or its representatives, as well as all that Know-how described, listed or outlined in the following JDSU Material and JDSU Equipment (visual, written or otherwise) or documents.

3. JDSU Contact for Notices:

The following JDSU representative shall be the recipient of notices issued pursuant to the Agreement in respect of matters relating to the Products specified in this Product Schedule.

Mary Emerton, Global Supply Management
1768 Automation Parkway
San Jose, California 95131
U.S.A.
Phone Number: (408) 546-4788
Fax Number: (408) 546-4646

4. PRODUCT-SPECIFIC TERMS AND CONDITIONS

Not Applicable.

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

5. **DECLARATION**

Upon execution of this document entitled Product Schedule by both parties, as required, the document shall automatically be incorporated into the Agreement. In the event of any conflict or inconsistency between this Product Schedule and the other terms of the Agreement, the terms in this Product Schedule shall apply, to the extent of such conflict or inconsistency.

6. **FACSIMILE SIGNATURES.**

Following execution by a party of this Product Schedule, the document may delivered by facsimile in several counterparts of like form, each of which when so executed and/or delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument. Notwithstanding that executed documents may be delivered by facsimile, the parties shall ensure each is provided with original signed copies of each Product Schedule for their respective records.

IN WITNESS WHEREOF the following duly authorized representatives of each party hereto have executed this Product Schedule. **This Product Schedule shall not be incorporated into the Agreement until approved by JDSU legal counsel and signed by an authorized JDSU representative.**

JDS Uniphase Corporation

Supplier

By: _____
Name: Debbie Shoquist
Title: Senior Vice President, Operations
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

Appendix 1 – Datacom Prices

Product Schedule L

<u>JDSU Item Number</u>	<u>Item Description</u>	<u>Material</u>	<u>Transformation Cost</u>	<u>Shipping</u>	<u>Q2 '04 Price</u>
[***]	[***]	[***]	[***]	[***]	[***]

*** Two (2) consecutive pages from this Appendix 1 have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 2—Telecom Prices

Product Schedule L

<u>Type</u>	<u>JDSU Item Number</u>	<u>Bit Rate</u>	<u>Yielded Material Cost</u>	<u>Transformation Cost</u>	<u>Shipping</u>	<u>TOTAL Price</u>
[***]	[***]	[***]	[***]	[***]	[***]	[***]

*** Three (3) consecutive pages from this Appendix 2 have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 3 – Special Inventory

Product Schedule L

<u>Part No.</u>	<u>Description</u>	<u>Supplier</u>	<u>Lead Time</u>
[***]	[***]	[***]	[***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Note: Information in this document marked with a “[*]” has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.**

VOLUME SUPPLY AGREEMENT

THIS AGREEMENT (“Agreement”) is made between Fabrinet, an exempted company formed under the laws of the Cayman Islands (“Fabrinet”), and Finisar Corporation, a Delaware corporation (“Finisar”), as of the last date signed by the parties below.

Fabrinet (Cayman Islands)

Finisar Corporation

By: /s/ David T. Mitchell

By: /s/ Jerry Rawls

Name: David T. Mitchell

Name: Jerry Rawls

Title: President & CEO

Title: President / CEO

Date: June 14, 2000

Date: 6/15/00

Objective: The parties wish to form a contract manufacturing relationship whereby Fabrinet will manufacture optical communications products for sale to Finisar. The parties will begin the relationship with Fabrinet building sub-assemblies for optical transceivers based on Finisar’s design. It is Finisar’s intent, assuming that Fabrinet can build products at the prices, in the quantities, and to the specifications requested by Finisar, that Fabrinet will manufacture up to [***]% of Finisar’s transceiver product line, made up of the receiver, transmitter, and printed circuit board sub assemblies, and that Fabrinet will become Finisar’s preferred contract manufacturer. It is Fabrinet’s intent to produce high-quality, competitively priced products for Finisar, and to offer Finisar sufficient manufacturing capacity to help Finisar meet its customers’ needs.

1. **Supply Orders.** “Supply” or “Supplies” means the products listed in Exhibit A. Specifications for Supplies (“Specifications”) are also listed in Exhibit A.

2. **Purchasing Entities.** Finisar or its assignees may purchase Supplies under this Agreement.

3. **Manufacturing Equipment; IP License.**

3.1. Finisar will deliver to Fabrinet on consignment the manufacturing equipment (“Equipment”) listed on Exhibit B. The Equipment will be used exclusively by Fabrinet for the manufacture of Supplies through Fabrinet Ltd. (Thailand), a subsidiary of Fabrinet formed under the laws of the Kingdom of Thailand (“FT”), and to fill Orders for Finisar. Fabrinet will assume all risk of loss to the Equipment once Finisar delivers it to the FT manufacturing location in Thailand. Fabrinet will keep the Equipment in good condition and repair, reasonable wear and tear excepted. Fabrinet will maintain the Equipment at an FT facility in Thailand. Fabrinet will not attempt to transfer or convey the Equipment to any third party. Fabrinet will return all Equipment to Finisar, at Finisar’s expense, immediately upon Finisar’s request. (“Subsidiary” means a corporation in which a party directly owns or controls, and continues to own or control, more than fifty percent of the voting stock.)

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3.2. Finisar owns certain technical information and know-how that relates to the design, techniques, processes, work instructions and materials for the manufacture of the Supplies ("Information"). Finisar will retain ownership of all intellectual property rights in and to the information and the design and manufacture of the Supplies.

3.3. Finisar grants to Fabrinet a nonexclusive, nontransferable license to use the information to make, have made, and sell the Supplies only to Finisar and only while this Agreement is in effect. Fabrinet and its Subsidiaries will provide to Finisar, promptly and free of charge, all revisions and improvements to the Information, which shall at all times be owned solely by Finisar. No other license is granted by Finisar, by implication or otherwise.

3.4. Fabrinet will receive reasonable training at Finisar's facilities to help facilitate the manufacture of the Supplies by Fabrinet, through FT. Fabrinet will bear the costs and expenses relating to the travel, lodging and meals of its employees and agents. Fabrinet will pass all qualification tests for the Supplies as requested by Finisar, at Fabrinet's cost and in accordance with a schedule agreed upon by Finisar.

4. Orders; Forecasts.

4.1. Finisar may submit purchase orders ("Orders") for the sale and purchase of Supplies. Each Order will specify the types and quantities of requested Supplies, and the delivery dates and destination points. The terms and conditions of this Agreement will be incorporated into each Order. In the event of any conflicts, differences or inconsistencies between the terms and conditions of this Agreement and those of any Order, quotation, acknowledgment or any other related document, the terms and conditions of this Agreement will govern.

4.2. Finisar will provide Fabrinet weekly with a rolling Master Schedule ("Master Schedule"). The Master Schedule will contain non-binding forecast projections of the types and quantities of Supplies Finisar expects to purchase during the ensuing twenty-six week rolling period, broken down by weeks Finisar will issue Orders, at a minimum, for all Supplies that are projected on the Master Schedule to be purchased by Finisar within [***] weeks from the date of that Master Schedule. Finisar may extend the delivery date of any Order, in whole or in part, (and the corresponding invoice) anytime before the Supplies are shipped.

4.3. Fabrinet will accept all Orders that call for quantities of Supplies that do not exceed the Master Schedule projections or the manufacturing commitments as listed in Exhibit A.

5. Delivery; Acceptance.

5.1. Delivery of Supplies will be FOB FT's manufacturing facility by a carrier selected by Finisar. Finisar shall be the "importer of record", responsible for customs duties, imposts, and VAT and related costs of importing Supplies. Finisar shall not be responsible for any expenses incurred in shipping direct or indirect raw materials from Finisar or any third-party vendor to Fabrinet.

5.2. All Supplies will be free from any third party liens or encumbrances; Finisar will receive good and marketable title to the Supplies at the time of delivery.

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5.3. Finisar will provide written notice within fifteen days of its receipt of Supplies as to whether it rejects the Supplies in whole or in part. Supplies will be rejected only if they are defective or non-conforming. Rejected Supplies will be shipped to Fabrinet with freight and insurance prepaid by Fabrinet.

6. Cancellation. Finisar's maximum liability shall be as follows:

- a. Finished Goods. Finisar shall pay 100% of Costs ("Costs" shall be defined as those materials and labor and overhead costs described at Section 9 and detailed at Exhibit A) for all Supplies manufactured as of the date of cancellation, whether such Supplies are at Fabrinet's manufacturing facility or in transit to Finisar. However, Finisar shall not be obligated to pay for any more than a fourteen working day supply of such items unless supply levels in excess of this amount are agreed upon and made part of the Master Schedule.
- b. Work in Process. Finisar shall be responsible for Costs of work in process in the percentage of work completed on a given Supply as of the date of cancellation.
- c. Raw Materials. Finisar shall be responsible for [***]% of the cost of any unique materials used in the Component manufacturing process on hand at, or in transit to, Fabrinet's manufacturing facility as of the date of cancellation. The following table represents the percentage of raw material costs Finisar shall be responsible for upon cancellation of any Supply order:

Within two week of cancellation:	[***] (unit Cost x scheduled volume)
Within four weeks:	[***]%
Within six weeks:	[***]%
Within eight weeks:	[***]%
Within twelve weeks:	[***]%

Finisar shall not be responsible for any raw materials costs for Supplies scheduled for production greater than twelve weeks from the date of cancellation.

- d. Open Purchase Orders. The parties understand that Fabrinet may incur costs assessed by vendors for the cancellation of component orders with long lead times. In the event that Fabrinet is assessed any such costs, Finisar shall reimburse Fabrinet for all such costs, provided that such costs are for Supplies to be produced per the Master Schedule and rolling forecasts. Fabrinet agrees to notify vendors of any cancellation within 24 hours of receipt of notice of cancellation from Finisar. Fabrinet further agrees to audit a vendor's assessment and will make the results of such audit available to Finisar.

7. Invoices. Fabrinet will invoice Finisar upon delivery of the corresponding Supplies. Payment terms will be [***] days from receipt of invoices for the first six months of production; [***] days from receipt of invoice for months seven through twelve; and, [***] days from receipt of invoice thereafter.

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8. Technical Support. Fabrinet will provide reasonable technical support relating to the Supplies.

9. Prices. Prices for Supplies are listed at Exhibit A. The price shall be the sum of: (1) the cost of materials used to produce the Supplies, including a [***]% margin; plus (2) labor and overhead charges (“L/O”) equal to USD\$[***] per standard labor hour. Fabrinet will define and implement a long-term cost reduction program for each Supply. Prices will be negotiated by the parties once per quarter to capture reductions due to: (i) high-volume purchases; (ii) materials and L/O cost reductions achieved by Fabrinet; (iii) agreed changes in Supply specifications; or (iv) improvements in Fabrinet’s yields or processes. Prior to the beginning of each quarter, Fabrinet shall disclose to Finisar [***] to be used in the manufacture of the Supplies and the parties shall negotiate a “cost of materials” for the next quarter. Finisar agrees that Fabrinet may invoice Finisar for Supplies manufactured during that next quarter at the agreed upon cost of materials plus a [***]% materials mark-up. In addition, the parties intend to take advantage of global tax efficiencies, where mutually acceptable, in order to reduce Costs.

10. Product and Process Changes; Product Qualification. Fabrinet will notify Finisar in writing of all proposed changes to Supplies or related manufacturing and quality assurance processes.

10.1. The notice will include the reason for the change, details of its implementation and the planned date of the change.

10.2. Finisar may request test data and a sufficient sampling of the affected Supply associated with any proposed changes.

10.3. No changes will be made without Finisar’s prior written consent, which will not be unreasonably withheld.

11. Quality Control and Reliability. Fabrinet warrants and represents that the Factory is ISO 9002 and ISO 14002 certified, and will maintain those certifications during this Agreement. In addition, Fabrinet agrees to implement 6-sigma statistical analysis, where applicable, to the production of Supplies under this Agreement.

11.1. Fabrinet will reasonably test and inspect Supplies prior to shipment and will give inspection records to Finisar upon request.

11.2. Fabrinet will promptly report to Finisar in writing any suspected or actual defect in design or manufacturing of the Supplies, malfunction of Supplies, or nonconformance to the Specifications.

11.3. Fabrinet will provide to Finisar, at no charge, reasonable technical support during Finisar’s normal hours of operation at its San Jose, California location.

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11.4. Finisar may identify certain critical Supplies that include components and materials, and their respective vendors, which must be approved by Finisar in advance. Once identified, Fabrinet will only use such approved components and materials procured from such approved vendors in its manufacture of the Supplies.

12. Inspection Rights. Finisar may reasonably review, inspect and test, at Fabrinet's and its Subsidiaries' locations, products covered by this Agreement, and audit Fabrinet's and its Subsidiaries' processes and vendors.

13. Term and Termination. The term of this Agreement will continue until three years after the date last signed by the parties. This Agreement will automatically renew for successive one-year periods unless (i) Finisar notifies Fabrinet in writing 90 days prior to renewal that Finisar will terminate the Agreement, or, Fabrinet notifies Finisar in writing 180 days prior to renewal that Fabrinet will terminate the Agreement. Either party may terminate this Agreement upon 30 days' written notice if the other party:

13.1. breaches a material term or condition of this Agreement and fails to cure the same within thirty days of receipt of written notice by the nonbreaching party specifying such breach; or,

13.2. ceases to do business (excluding mergers, acquisitions, consolidations or reorganizations), elects to dissolve, dissolves, becomes insolvent, is unable to pay debts as they become due, makes a general assignment for the benefit of creditors, or, files, or has filed against it, a bankruptcy petition.

14. Patent Warranty.

14.1. Each party ("Indemnitor") will indemnify the other party ("Indemnitee") against any loss or expense arising out of any claim brought against the Indemnitee for a claim of infringement of any third party intellectual property rights alleged or determined to be caused by Indemnitor's design or process relating to the Supplies; provided, that Indemnitee notifies Indemnitor promptly of any such claim; allow Indemnitor, at Indemnitor's option, to participate in or fully control the defense with Indemnitor's counsel; and, fully cooperates with such defense.

15. Product Warranties.

15.1. Fabrinet warrants for three years from the delivery of a Supply that such Supply will be free from defects in materials and workmanship, will strictly conform to the Specifications, and will be fit for the particular purpose for which it was ordered. (Each party expressly agrees that this warranty does not apply to any defective materials or designs provided by or through Finisar.) Fabrinet's obligation under this warranty is to repair or replace any defective or nonconforming Supply. All freight and insurance costs related to repair or replacement of Supplies will be borne by Fabrinet.

15.2. Fabrinet will provide a preliminary failure analysis on all returned Supplies within forty-eight (48) hours from receipt. A written report of the complete failure analysis and its findings will be delivered to Finisar within 10 days of receipt.

15.3. If the DPPM rate exceeds [***] units for Supplies shipped during any ninety-day period, then Fabrinet will immediately initiate a corrective action plan and perform a root cause analysis on the Supply. Fabrinet will update Finisar daily with the status and findings of the analysis and plan.

15.4. If, within [***] years from the end of this Agreement, an intrinsic Fabrinet design or manufacturing defect of a Supply causes an inoperative, hazardous or unsatisfactory condition, then Fabrinet will, promptly at its expense: (i) make such change to eliminate that defect in all affected or defective units of that Supply; and, (ii) implement the change in all affected or defective units of that Supply, both installed and stocked.

16. Continuing Availability of Services, Products and Parts. Fabrinet will offer replacement products on all Supplies that are no longer subject to the product warranty, on commercially reasonable terms, for [***] years after expiration of that warranty.

17. Limitation of Liability. EXCEPT AS OTHERWISE PROVIDED HEREIN, IN NO EVENT WILL EITHER PARTY HAVE ANY LIABILITY FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES THAT RELATE IN ANY WAY TO THIS AGREEMENT, WHETHER OR NOT THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH DAMAGES.

18. Confidential Information. The June 7, 2000 Proprietary Information Agreement (“NDA”) between Finisar and FT is hereby incorporated by reference, and its terms made part of this Agreement, except that the NDA cannot be terminated by FT or by either party to this Agreement while this Agreement is in effect. In addition, the parties acknowledge that: (i) this Agreement, its terms and conditions, the business relationship between the parties, and the internal structure and functionality of all Supplies now or hereafter listed on Exhibit A are all deemed to be “Confidential Information” (as defined in the NDA).

19. [***].

20. Notices. Notices will be in writing, delivered by overnight mail or courier, deemed received on the date of delivery, and addressed as follows:

If to Fabrinet:	If to Finisar:
Fabrinet (Cayman Islands)	Finisar Corporation
c/o Fabrinet, Inc.	1308 Moffett Park Drive
4104 – 24 th Street	Sunnyvale, CA 94089
San Francisco, CA 94114	Attn: Jerry Rawls
Attn: General Counsel	

21. Relationship of Parties. Fabrinet and Finisar are separate and distinct entities, and this Agreement does not create a partnership, joint venture, or any common undertaking.

22. Force Majeure. Neither party will be liable, nor in breach of this Agreement, for any delay or failure in performance or interruption of service resulting from acts of God, government authority, civil disturbances, fire, the elements, or any other cause(s) which are beyond that party’s reasonable

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control; provided, that that party promptly notifies the other party of the delay or failure. Shortages of parts, materials or labor will not be deemed to be force majeure causes; and, Finisar may terminate this Agreement if any force majeure cause continues for more than thirty days.

23. Governing Law; Attorneys' Fees. This Agreement will be governed by and construed in accordance with the laws of California (excluding laws and principles relating to the conflict of laws). In any action to enforce this Agreement, the prevailing party will be entitled to recover reasonable attorneys' fees and other costs incurred therein, in addition to any other relief.

24. Severability. If any term Agreement is held invalid or unenforceable, the remainder of this Agreement will not be affected and each other term will be valid to the extent permitted by law.

25. Entire Agreement; Modification; Waiver. This Agreement is the entire agreement between the parties, and supersedes all prior and contemporaneous agreements and representations. No modification of this Agreement will be binding unless executed in writing by the parties. No waiver of any of the provisions of this Agreement will be deemed a waiver of any other provision, nor a continuing waiver. No waiver will be binding unless executed in writing by the party to be charged.

26. Binding Effect; Assignment. This Agreement will be binding on and will inure to the benefit of the parties and their respective agents, successors and permitted assigns; provided, however, that no party will have the right to transfer or assign any rights or obligations under this Agreement (other than transfers or assignments by operation of law) without first obtaining the other party's written consent. Any attempted assignment in violation of this provision will be void.

27. Trade Restrictions. Fabrinet will comply in all respects with applicable export, import and re-export law and regulations for each of the Supplies shipped, and for all information and any other technical data received from Finisar.

28. Survival Of Provisions. The respective rights, duties and obligations of Fabrinet and Finisar pursuant to paragraphs 14—19 and 23 will survive any expiration or termination of this Agreement.

29. Time of Essence. Time is of the essence of this Agreement.

EXHIBIT A

Labor & Overhead:

Production Description Number	Finisar Part Number	Fabrinet Part Number	Labor/Overhead: Units Per Standard Hour	Labor/Overhead: Cost Per Unit	Specifications
Receiver sub-assembly					

Materials:

Production Description Number	Finisar Part Number	Fabrinet Part Number	Fabrinet Materials Cost	Finisar Materials Price (***)% margin)
Receiver sub-assembly				

Total Supply Price:

Production Description Number	Finisar Part Number	Fabrinet Part Number	L&O per unit	Materials Price	Supply Price
Receiver sub-assembly					

(1) Purchase Commitment: For each calendar quarter beginning from the time the Supplies in this Exhibit qualify for sale to Finisar, Finisar intends to purchase from Fabrinet up to [***]% of its actual requirements for those Supplies, subject to Fabrinet's ability to deliver quality Supplies at competitive prices in quantities and at the times required under this Agreement. To the extent

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Finisar purchases similar products from other vendors due to Fabrinet's failure to comply with its obligations under this Agreement, then such purchases will not be considered in determining Finisar's compliance with this purchase commitment (i.e. those purchases will be deducted from Finisar's total purchases before calculating the commitment amount).

(2) Manufacturing Commitment: Fabrinet will maintain sufficient manufacturing capacity to be able to increase the number of units of each Supply shipped weekly to Finisar by [***]% within two weeks, [***]% with four weeks, and [***]% within six weeks. The capacity will be based on the weekly average number of units shipped to Finisar over the then-preceding four weeks. For example, if Fabrinet shipped a total of [***] units of a Supply over the preceding four-week period (i.e., a weekly average of [***]), then Fabrinet must be able to ship up to [***] units in each of the next two weeks, up to [***] units per week after two weeks, up to [***] units per week after four weeks, and up to [***] units per week after the sixth week. Notwithstanding the foregoing, Fabrinet will have no liability for breaching this manufacturing commitment if such breach is caused solely by Finisar's failure to timely deliver the Equipment and necessary quantities of Material for the Supplies.

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EXHIBIT B

EQUIPMENT LIST

Subsidiaries
of
Fabrinet,
a Cayman Islands exempted limited liability company

<u>Subsidiary</u>	<u>Jurisdiction</u>
Fabrinet Co., Ltd.	Thailand
Fabrinet USA, Inc.	California
E2O Communications Pte Ltd.	Singapore
PT E2O Communications Indonesia	Indonesia
FBN New Jersey Manufacturing, Inc.	Delaware
Fabrinet China Holdings	Mauritius
CASIX, Inc.	People's Republic of China
FBN Canada Manufacturing, Inc.	Canada



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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated October 31, 2007 relating to the financial statements of Fabrinet and its subsidiaries, which appear in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers ABAS Limited

PricewaterhouseCoopers ABAS Limited

November 6, 2007