

**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
Grand Cayman
KY1-9005
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)

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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 ⁽³⁾
Ordinary shares, par value \$0.01 per share	\$150,000,000	\$8,370

- 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.
- Includes offering price of ordinary shares that the underwriters have the option to purchase to cover over-allotments, if any.
- The registrant previously paid registration fees of \$7,675 relating to a Registration Statement on Form S-1 (File No. 333-147191) filed on November 7, 2007 and withdrawn on April 8, 2009. Pursuant to Rule 457(p), \$7,675, representing the previously paid registration fees, is being offset against the \$8,370 registration fee currently due.

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 November 20, 2009

[] 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 8.

	PRICE \$	A SHARE				
			<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Fabrinet</u>	<u>Proceeds to Selling Shareholders</u>
Per share	\$		\$	\$	\$	\$
Total	\$		\$	\$	\$	\$

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 , 2010.

MORGAN STANLEY

RBS

THOMAS WEISEL PARTNERS LLC

DEUTSCHE BANK SECURITIES

COWEN AND COMPANY

, 2010

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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 _____, 2010 (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 assumes:

- no exercise by the underwriters of their over-allotment option to purchase up to [] additional ordinary shares from the selling shareholders.
- 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 2010 Performance Incentive Plan, to be effective upon the completion of this offering. We expect that our shareholders will approve this plan prior to the completion of this offering.

Except where the context otherwise requires, references in this prospectus to:

- “we,” “us,” “our company” and “our” are to Fabrinet and its direct and indirect wholly-owned subsidiaries, including Fabrinet USA, Inc., Fabrinet Co., Ltd., FBN New Jersey Manufacturing, Inc., Fabrinet China Holdings, CASIX, Inc. and Fabrinet Pte. Ltd.;
- “ordinary shares” are to our ordinary shares;
- “dollars” or “\$” are to the legal currency of the United States;
- “RMB” are to renminbi, the legal currency of the People’s Republic of China;
- “China” or “the PRC” are to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan; and
- “the U.S.” are 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 provide precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers (OEMs) of complex products, such as optical communication components, modules and sub-systems. We offer a broad range of advanced optical capabilities across the entire manufacturing process, including process engineering, design for manufacturability, supply chain management, manufacturing, final assembly and test. We focus primarily on low-volume production of a wide variety of products, which we refer to as “low-volume, high-mix.” We believe we are a global leader in providing these services to the optical communications market. We have also expanded our customer base to include companies in other similarly complex industries that require advanced precision manufacturing capabilities, such as industrial lasers and sensors. Our customers in these industries support a growing number of end-markets, including semiconductor processing, biotechnology, metrology, material processing, auto safety and medical devices.

Our customers include six of the ten largest optical communications components companies worldwide in terms of revenue for the twelve months ended June 30, 2009, according to Ovum-RHK, a market research firm. Our diverse customer base includes Coherent, Inc., EMCORE Corporation, Finisar Corporation, Infinera Corporation, JDS Uniphase Corporation, Newport Corporation, Oclaro, Inc., and Opnext, Inc. In many cases, we are the sole outsourced manufacturing partner used by our customers for the products that we produce for them. The products that we manufacture for our OEM customers include: selective switching products; tunable transponders and transceivers; active optical cables; solid state, diode-pumped and gas lasers; and sensors.

We also design and fabricate application-specific crystals, prisms, mirrors, laser components and substrates (collectively referred to as “customized optics”) and other custom and standard borosilicate, clear fused quartz, and synthetic fused silica glass products (collectively referred to as “customized glass”). We incorporate our customized optics and glass into many of the products we manufacture for our OEM customers, and we also sell customized optics and glass in the merchant market.

We believe we offer differentiated manufacturing services through our optical and electro-mechanical process technologies and our strategic alignment with our customers. Our dedicated process and design engineers, who have a deep knowledge in materials sciences and physics, are able to tailor our service offerings to accommodate our customers’ most complex engineering assignments. Our range of capabilities, from the design of customized optics and glass through process engineering and testing of finished assemblies, provides us with a knowledge base that we believe often leads to improvements in our customers’ product development cycles, manufacturing cycle times, quality and reliability, manufacturing yields and end product costs. We offer an efficient, technologically advanced and flexible manufacturing infrastructure designed to enable the scale production of low-volume, high-mix products, as well as high-volume products. We often provide a “factory-within-a-factory” manufacturing environment to protect our customers’ intellectual property by segregating certain key employees and manufacturing space from the resources we use for other customers. We also provide our customers with a customized software platform to monitor all aspects of the manufacturing process, enabling our customers to remotely access our databases to monitor yields, inventory positions, work-in-progress status and vendor quality data. We believe there is no other manufacturing services provider with a similar breadth and depth of optical and electro-mechanical engineering and process technology capabilities that does not directly

compete with its customers in their end-markets. As a result, we believe we are more closely aligned and better able to develop long-term relationships with our customers than our competitors.

We have been consistently profitable since our inception, achieving 39 consecutive quarters of profitable operations. Over our last five fiscal years, despite the 13.7% decline in our revenues from fiscal 2008 to fiscal 2009, our total revenues increased from \$202.0 million in fiscal 2005 to \$441.1 million in fiscal 2009, representing a compound annual growth rate of 21.6%. Our gross profit margin increased from 5.6% in fiscal 2005 to 13.2% in fiscal 2009, while our operating income as a percentage of revenues increased from 2.4% in fiscal 2005 to 7.6% in fiscal 2009.

As of September 25, 2009, our facilities comprised approximately 1,100,000 total square feet, including approximately 168,000 square feet of office space and approximately 932,000 square feet devoted to manufacturing and related activities, of which approximately 290,000 square feet were clean room facilities. Of the aggregate square footage of our facilities, approximately 832,000 square feet are located in Thailand and the balance is located in the PRC and the U.S.

Industry Background

Optical Communications

Since 2001, most optical communications OEMs have reduced manufacturing capacity and transitioned to a low-cost and more efficient manufacturing base. By outsourcing production to third parties, these vendors are better able to concentrate on what they believe are their core strengths, such as research and development, and sales and marketing. Outsourcing production often allows these vendors to reduce product costs, achieve accelerated time-to-market and time-to-volume production and access advanced process design and manufacturing technologies. The principal barrier to the trend towards outsourcing in the optics industry has been the shortage of third-party manufacturing partners with the necessary optical process capabilities and robust intellectual property protection.

Demand for optical communications components and modules is influenced by the level and rate of development of optical communications infrastructure and carrier and enterprise network expansion. According to Ovum-RHK, annual sales for the global optical communications components and modules market are expected to increase from approximately \$2.9 billion in 2009 to approximately \$5.2 billion in 2014. The increase in carrier demand for optical communications network equipment is a direct result of higher network utilization and increased demand for bandwidth capacity. The increases in network traffic volumes have been driven by increasing demand for voice, data and video delivered over internet protocol, or IP, networks.

Industrial Lasers and Sensors

The optical and electro-mechanical process technologies used in the optical communications market also have applications in other similarly complex end-markets, such as industrial lasers and sensors that require advanced precision manufacturing capabilities. These markets are substantially larger than the optical communications components market. For example, according to the Optoelectronics Industry Development Association, the diode and non-diode lasers market is expected to increase from approximately \$8.3 billion in 2009 to approximately \$10.3 billion in 2013. Moreover, according to Frost & Sullivan, a business research and consulting firm, the total sensors market is expected to increase from approximately \$44.1 billion in 2008 to approximately \$69.2 billion in 2013. This growth in the industrial lasers and sensors markets is expected to be driven by demand for:

- industrial laser applications across a growing number of end-markets, particularly in semiconductor processing, biotechnology, metrology and material processing;

- precision, non-contact and low power requirement sensors, particularly in auto safety, medical and industrial end-markets; and
- lower cost products used on both enterprise and consumer levels.

Our Competitive Strengths

We believe we have succeeded in providing differentiated services to the optical communications, industrial lasers and sensors industries due to our long-term focus on optical and electro-mechanical process technologies, strategic alignment with our customers and our commitment to total customer satisfaction. More specifically, our key competitive strengths include:

- advanced optical and electro-mechanical manufacturing technologies;
- efficient, flexible and low cost process engineering and manufacturing platform;
- customizable factory-within-a-factory production environment;
- vertical integration targeting customized optics and glass; and
- a management team with a demonstrated track record of financial and strategic execution.

Our Growth Strategy

The key elements of our growth strategy are to:

- strengthen our presence in the optical communications market;
- leverage our technology and manufacturing capabilities to continue to diversify our end-markets;
 - continue diversification into the industrial lasers and sensors markets;
 - diversify into other markets that require precision electro-mechanical manufacturing;
- continue to extend our customized optics and glass vertical integration; and
- broaden our client base geographically.

Risks Associated With Our Business

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

- dependence on a limited number of customers;
- less than expected growth in the optical communications market and challenges in further diversifying our vertically integrated manufacturing services;
- the financial viability of our customers and suppliers;
- 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, and our customers’ expansion of their internal manufacturing capacity and capabilities;
- challenges in accurately predicting demand and any resulting difficulties managing inventory and capacity; and

- 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.

Corporate Information and Corporate Structure

We were organized under the laws of the Cayman Islands in August 1999 and commenced our business operations in January 2000. Our principal executive office is located at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands, and our telephone number is (662) 998-9956. 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 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.

We have six direct and indirect wholly-owned subsidiaries. All of these direct and indirect subsidiaries, other than our Thai subsidiary, Fabrinet Co., Ltd., are wholly-owned. We own over 99.99% of Fabrinet Co., Ltd., and the remainder is owned by Mr. Tom Mitchell, our chief executive officer, president and chairman of the board of directors, and certain of his family members. We formed Fabrinet Co., Ltd. and incorporated Fabrinet USA, Inc. in 1999. We incorporated FBN New Jersey Manufacturing, Inc. and acquired Fabrinet China Holdings and CASIX, Inc. in 2005. We incorporated Fabrinet Pte. Ltd. in 2007.

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.

THE OFFERING

Ordinary shares offered by us	[] shares
Ordinary shares offered by the selling shareholders	[] shares
Over-allotment option	The selling shareholders have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an additional [] ordinary shares to cover over-allotments.
Price per ordinary share	[\$]
Ordinary shares to be outstanding after this offering	[] shares
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes, including working capital, capital expenditures 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.
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	We, the selling shareholders, all of our directors and executive officers and a substantial portion of our other 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 our 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 30,849,355 ordinary shares outstanding as of September 25, 2009, and excludes:

- 782,082 ordinary shares issuable upon the exercise of all share options, whether vested or unvested, outstanding under our 1999 Share Option Plan as of September 25, 2009, at a weighted average exercise price of \$3.05 per share; and
- 157,134 ordinary shares available for future issuance under our 1999 Share Option Plan as of September 25, 2009, and [] ordinary shares that will be available for future issuance under our 2010 Performance Incentive Plan.

SUMMARY CONSOLIDATED FINANCIAL DATA

We have derived the summary consolidated financial data for the three months ended September 25, 2009 and September 26, 2008, and as of September 25, 2009, from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus. We have derived the summary consolidated financial data for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, and as of June 26, 2009 and June 27, 2008, 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, 2006 and June 24, 2005, and as of June 29, 2007, June 30, 2006 and June 24, 2005, from our audited consolidated financial statements that are not included in this prospectus. We use a 52-53 week fiscal year ending on the last Friday in June and a 13 week fiscal quarter ending on the last Friday in September for our first fiscal quarter. 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" and our 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 U.S. GAAP.

	Three Months Ended		Year Ended				
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007	June 30, 2006	June 24, 2005
	(unaudited)						
	(in thousands, except per share data)						
Summary Consolidated Statements of Operations Data:⁽¹⁾							
Revenues:							
Revenues	\$ 84,244	\$ 106,007	\$ 337,846	\$ 345,071	\$ 295,338	\$ 200,171	\$ 77,187
Revenues, related parties	12,774	39,175	101,895	163,312	191,690	170,272	120,014
Other	—	679	1,358	2,715	9,115	5,216	4,751
Total revenues	97,018	145,861	441,099	511,098	496,143	375,659	201,952
Cost of revenues	(86,058)	(122,537)	(383,058)	(442,784)	(423,858)	(339,682)	(190,633)
Gross profit	10,960	23,324	58,041	68,314	72,285	35,977	11,319
Selling, general and administrative expenses	(3,809)	(9,644)	(21,960)	(21,741)	(18,036)	(10,935)	(6,389)
Restructuring charges	—	—	(2,389)	—	—	—	—
Operating income	7,151	13,680	33,692	46,573	54,249	25,042	4,930
Interest income	111	308	756	1,364	1,370	1,015	508
Interest expense	(161)	(384)	(1,266)	(1,547)	(2,842)	(3,346)	(834)
Foreign exchange (loss) gain, net	(60)	246	360	(599)	(336)	(181)	165
Income before income taxes	7,041	13,850	33,542	45,791	52,441	22,530	4,769
Income tax (expense) benefit	(855)	(1,638)	(2,238)	(3,962)	(2,702)	(1,076)	730
Net income	\$ 6,186	\$ 12,212	\$ 31,304	\$ 41,829	\$ 49,739	\$ 21,454	\$ 5,499
Earnings per share:							
Basic	\$ 0.20	\$ 0.41	\$ 1.03	\$ 1.40	\$ 1.68	\$ 0.73	\$ 0.19
Diluted	\$ 0.20	\$ 0.39	\$ 1.00	\$ 1.33	\$ 1.60	\$ 0.71	\$ 0.18
Weighted average number of ordinary shares outstanding:							
Basic	30,707	30,046	30,360	29,889	29,600	29,469	29,451
Diluted	31,269	31,387	31,183	31,349	31,077	30,403	30,032
Cash dividends declared per share	\$ 1.00	\$ —	\$ 0.33	\$ —	\$ —	\$ —	\$ —

(1) We adopted FASB ASC 718 and ASC 740 during fiscal 2007 and fiscal 2008, respectively.

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	As of September 25, 2009		June 26, 2009	June 27, 2008	As of		
	Actual	As Adjusted ⁽¹⁾ (unaudited)			June 29, 2007	June 30, 2006	June 24, 2005
(in thousands)							
Summary Consolidated Balance Sheet Data:							
Cash and cash equivalents	\$ 92,903		\$ 114,845	\$ 55,682	\$ 40,873	\$ 40,063	\$ 42,953
Working capital ⁽²⁾	57,715		58,311	99,260	105,347	83,152	65,505
Total assets	275,598		288,085	292,713	240,081	240,815	180,325
Current and long-term debt	25,220		27,318	29,575	35,498	33,006	31,606
Total liabilities	106,264		94,580	122,148	110,726	162,132	123,287
Total shareholders' equity	169,334		193,505	170,565	129,355	78,683	57,038

(1) The balance sheet data is presented on an as adjusted basis to reflect our application of the net proceeds from this offering.

(2) Working capital is defined as trade accounts receivable plus inventories, less trade accounts payable.

	Three Months Ended		Year Ended				
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007	June 30, 2006	June 24, 2005
(in thousands)							
Summary Consolidated Statements of Cash Flows Data:							
Net cash provided by (used in) operating activities	\$ 11,560	\$ 10,356	\$80,357	\$ 51,891	\$ 26,244	\$ 25,073	\$(4,935)
Net cash (used in) provided by investing activities	(978)	(2,023)	(7,187)	(29,815)	(12,380)	(10,845)	2,615

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 Related To Our Business

Our sales depend on and may continue to depend on a few customers, many of which have substantial purchasing power and leverage in negotiating contracts with us. A reduction in orders from any of these customers, the loss of any of these customers, or a customer exerting significant pricing and margin pressures on us could harm our business, financial condition and operating results.

We have depended, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our total revenues. For the three months ended September 25, 2009, our top three customers accounted for approximately 19%, 17% and 13%, respectively, of our total revenues. Our top three customers accounted for approximately 20%, 20% and 16%, respectively, of our total revenues during fiscal 2009, 22%, 20% and 12%, respectively, of our total revenues during fiscal 2008, and 26%, 26% and 15%, respectively, of our total revenues during fiscal 2007. Dependence on a limited number of customers means that a reduction in orders from, a loss of, or other adverse actions by any one of these customers could have an adverse effect on our 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. We generate significant accounts payable and inventory for the services that we provide to our customers, which could expose us to substantial and potentially unrecoverable costs if we do not receive payment from our customers.

Reliance on a small number of customers gives those customers substantial purchasing power and leverage in negotiating contracts with 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 those agreements on a project-by-project basis. Some of our customers have at times significantly reduced or delayed the volume of manufacturing services that they order from us. If we are unable to maintain our relationships with our existing significant customers, our business, financial condition and operating results could be harmed.

If the optical communications market does not expand as we expect, our business may not grow as fast as we expect, which could adversely impact our business, financial condition and operating results.

Our future success as a provider of precision optical, electro-mechanical and electronic manufacturing services for the optical communications market depends on the continued growth of the optics 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

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voice, video, text and other data delivered over high-speed connections. Without network and bandwidth growth, the need for enhanced communications products would be jeopardized. Currently, demand for network services and for broadband access, in particular, is increasing but growth may be limited by several factors, including, among others: (i) the recent global economic recession, (ii) an uncertain regulatory environment, (iii) potential reluctance from network carriers to supply video and audio content over the communications infrastructure and (iv) uncertainty regarding long-term sustainable business models as multiple industries, such as the cable, traditional telecommunications, wireless and satellite industries, offer competing content delivery solutions. The optical communications market also has experienced periods of overcapacity, some of which 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 optical communications market, our business, financial condition and operating results would be negatively affected.

If we are unable to continue diversifying our precision optical and electro-mechanical manufacturing services across other markets within the optics industry, such as the semiconductor processing, biotechnology, metrology and material processing markets, our business may not grow as fast as we expect.

We intend to continue diversifying across other markets within the optics industry, such as the semiconductor processing, biotechnology, metrology and material processing markets, to reduce our dependence on the optical communications market and to grow our business. Currently, the optical communications market contributes the majority of our revenues. There can be no assurance that our efforts to further expand and diversify into other markets within the optics industry will prove successful. In the event that the opportunities presented by these markets prove to be less than anticipated, if we are less successful than expected in diversifying into these markets, or if our margins in these markets prove to be less than expected, our growth may slow or stall, and we may incur costs that are not offset by revenues in these markets, all of which could harm our business, financial condition and operating results.

Our quarterly revenues, gross profit margins and operating results have fluctuated significantly and may continue to do so in the future, which may cause the market price of our ordinary shares to decline or be volatile.

Our quarterly revenues, gross profit margins, and operating results have fluctuated significantly and may continue to fluctuate significantly in the future. For example, between our quarter ended September 26, 2008 and our quarter ended June 26, 2009, our total revenues declined from \$145.9 million to \$82.4 million and then increased to \$97.0 million for the quarter ended September 25, 2009. Our gross profit margins and operating results experienced similar fluctuations during those periods. Therefore, we believe that quarter-to-quarter comparisons of our operating results may not be useful in predicting our 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 of our ordinary shares might fall below the initial public offering price.

Our exposure to financially troubled customers or suppliers could harm our business, financial condition and operating results.

We provide manufacturing services to companies, and rely on suppliers, that have in the past and may in the future experience financial difficulty, particularly in light of recent conditions in the credit markets and the overall economy that affected access to capital and liquidity. As a result, we devote significant resources to monitor receivables and inventory balances with certain of our customers. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our services from these customers could decline. If our suppliers experience financial difficulty, we could have trouble sourcing materials necessary to fulfill production requirements and meet scheduled shipments. Any such financial difficulty could adversely affect our operating results and financial condition by resulting in a reduction

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in our revenues, a charge for inventory write-offs, a provision for doubtful accounts, and an increase in working capital requirements due to increases in days in inventory and in days in accounts receivable.

We purchase some of the critical materials used in certain of our products from a single source or a limited number of suppliers. Supply shortages have in the past, and could in the future, impair the quality, reduce the availability or increase the cost of materials, which could harm our revenues, profitability and customer relations.

We rely on a single source or a limited number of suppliers for critical materials used in a significant number of the products we manufacture. We generally purchase these single or limited source materials through standard purchase orders and do not maintain long-term supply agreements with our suppliers. 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 materials requirements. Lead times for the parts and components that we order vary significantly and depend on factors such as manufacturing cycle times, manufacturing yields and the availability of raw materials used to produce the parts or components. 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 revenues, profitability and customer relations could be harmed by a stoppage or delay of supply, a substitution of more expensive or less reliable parts, the receipt of defective parts or contaminated materials, an increase in the price of supplies, or an inability to obtain reduced pricing from our suppliers in response to competitive pressures.

We continue to undertake programs to strengthen 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.

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

Managing our inventory is complex. We are generally required to procure material based upon the anticipated demand of our customers. The inaccuracy of these forecasts or estimates could result in excess supply or shortages of certain materials. Inventory that is not used or expected to be used as and when planned may become excess or obsolete. Generally, we are unable to use most of the materials purchased for one of our customers to manufacture products for any of our other customers. 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. While our agreements with customers are structured to mitigate our risks related to excess or obsolete inventory, enforcement of these provisions may result in material expense and delay in payment for inventory. If any of our significant customers becomes unable or unwilling to purchase inventory or does not agree to such contractual provisions in the future, our business, financial condition and operating results may be harmed.

We face significant competition in our business. If we are unable to compete successfully against our current and future competitors, our business, financial condition and operating results could be harmed.

Our current and prospective customers tend to evaluate our capabilities against the merits of their internal manufacturing, and these internal manufacturing capabilities are our primary competition. This competition 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 and again in 2008 and 2009, that resulted in underutilized capacity. Many of our potential customers continue to have excess manufacturing capacity at their facilities. If our customers choose to manufacture products internally rather than to outsource production to us, our business, financial condition and operating results could be harmed.

Competitors in the market for optical manufacturing services include Benchmark Electronics, Inc., Hon Hai Precision Industry Co. Ltd., MMI Holdings Limited, Oplink Communications, Inc., Sanmina-SCI Corporation

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and Venture Corporation Limited. Our customized optics and glass 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. In addition, we may face more 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 resources than we have. These advantages may allow them to devote greater resources than we can to the development and promotion of service offerings that are similar or superior to 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 or offer services that achieve greater market acceptance than ours. These competitors may also compete with us by making more attractive offers to our existing and potential employees, suppliers and strategic partners. Further, consolidation in the optics industry could lead to larger and more geographically diverse competitors. New and increased competition could result in price reductions for our services, reduced gross profit margins or loss of market share. 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 conduct operations in a number of countries, which creates logistical and communications challenges for us and exposes us to other risks that could harm our business, financial condition and operating results.

The vast majority of our operations, including manufacturing and customer support, are located in jurisdictions outside the U.S., primarily in the Asia-Pacific region. The distances between Thailand, the PRC and the U.S. create a number of logistical and communications challenges for us, including managing operations across multiple time zones, directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations and coordinating the activities and decisions of our management team, the members of which are based in different countries.

Our customers are located throughout the world. Total revenues from customers outside of North America accounted for 44.8%, 38.5%, 37.7% and 35.0% of our total revenues for the three months ended September 25, 2009, fiscal 2009, fiscal 2008 and fiscal 2007, respectively. We expect that total revenues from customers outside of 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. In addition, our international operations and sales subject us to a variety of domestic and foreign trade regulatory requirements.

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

The majority of our assets and manufacturing operations are located in Thailand. Therefore, political, social, business and economic conditions in Thailand have a significant effect on our business. As of January 30, 2009, Thailand had been assessed as medium-high political risk by AON Political Risk, a risk management, insurance and consulting firm. Any changes to tax regimes, laws, exchange controls or political action in Thailand may harm our business, financial condition and operating results.

In September 2006, Thailand experienced a military coup that overturned the existing government, and in 2008, political unrest and demonstrations in Bangkok sparked a series of violent incidents that resulted in several deaths and numerous injuries. Most of the casualties occurred around the Government House compound and the two Bangkok airports, Suvarnabhumi International Airport and Don Muang Airport, which were temporarily closed after being occupied by anti-government protestors at the end of November 2008. In addition,

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any succession crisis in the Kingdom of Thailand could cause new or increased instability and unrest. In the event that a violent coup or civil or political unrest were to occur, such activity could prevent shipments from entering or leaving the country and disrupt our ability to manufacture products in Thailand, and 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. A new regime could nationalize our business or otherwise seize our assets. Future political instability such as the coup that occurred in September 2006 or the demonstrations that occurred during 2008 could harm our business, financial condition and operating results.

We expect to increase our manufacturing operations in the PRC, which will continue to expose us to risks inherent in doing business in the PRC, any of which risks could harm our business financial condition and operating results.

We anticipate that we will continue to invest in our customized optics manufacturing facilities located in Fuzhou, China. Because these operations are located in the PRC, they 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 fluid and unpredictable. The PRC has been assessed as a medium political risk by AON Political Risk. 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 change further. Any changes to the political, legal or economic climate in the PRC could harm our business, financial condition and operating results.

Our PRC subsidiary is a "wholly foreign-owned enterprise" and is therefore 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 in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects. In addition, these laws and regulations are relatively new, and published cases are limited in volume and non-binding. Therefore, the interpretation and enforcement of these laws and regulations 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's attention.

Fluctuations in foreign currency exchange rates and changes in governmental policies regarding foreign currencies could increase our operating costs, which would adversely affect our operating results.

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.

Our customer contracts generally require that our customers pay us in U.S. dollars. However, the majority of our payroll and other operating expenses are paid in Thai baht. As a result of these arrangements, we have significant exposure to changes in the exchange rate between the Thai baht and the U.S. dollar, and our operating results are adversely impacted when the U.S. dollar depreciates relative to the Thai baht and other currencies. We have experienced such depreciation in the U.S. dollar as compared to the Thai baht, and our results have been

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adversely impacted by this fluctuation in exchange rates. For example, from September 30, 2006 to September 30, 2009, the U.S. dollar lost approximately one-tenth of its value against the Thai baht. We cannot guarantee that the depreciation of the U.S. dollar against the Thai baht will not continue. 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 exposure to changes in the exchange rate between the RMB and the U.S. dollar. The expenses of 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, our PRC subsidiary 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 the earnings of our PRC subsidiary.

Beginning in July 2005, the official exchange rate for the conversion of RMB into U.S. dollars was revalued and permitted to fluctuate within a band against a basket of foreign currencies. As a result, as of September 30, 2009, the U.S. dollar had depreciated approximately 13.7% against the RMB since September 30, 2006. 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.

Our business and operations would be adversely impacted in the event of a failure of our information technology infrastructure.

We rely upon the capacity, reliability and security of our information technology hardware and software infrastructure. For instance, we use a combination of standard and customized software platforms to manage, record and report all aspects of our operations and, in many instances, enable our customers to remotely access certain areas of our databases to monitor yields, inventory positions, work-in-progress status and vendor quality data. We are constantly expanding and updating our information technology infrastructure in response to our changing needs. Any failure to manage, expand and update our information technology infrastructure or any failure in the operation of this infrastructure could harm our business.

Despite our implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. To the extent that any disruptions or security breach results in a loss or damage to our data, or inappropriate disclosure of confidential information, it could harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Cancellations, delays or reductions of 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 forecasted volumes or delay production for a number of reasons beyond our control. Any material delay, cancellation or reduction of orders could cause our revenues to decline significantly and could cause us to hold excess materials. Many of our costs and operating expenses are fixed. As a result, a reduction in customer demand could decrease our gross profit and harm our business, financial condition and operating results.

In addition, we make significant decisions, including production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimate of our customers'

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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 our customers. Inability to forecast the level of customer orders with certainty makes it difficult to allocate resources to specific customers, order appropriate levels of materials and maximize the use of our manufacturing capacity. This could also lead to an inability to meet a spike in production demand, all of which could harm our business, financial condition and operating results.

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

Consolidation in the markets we serve has resulted in a reduction in the number of potential customers for our services. For example, in February 2008, EMCORE Corporation, one of our customers, acquired certain product lines and other assets from Intel Corporation, another of our customers. Also, in April 2009, Bookham, Inc. and Avanex Corporation, both of which are our customers, merged to form a new company called Oclaro, Inc. In July 2009, Newport Corporation, also our customer, acquired Oclaro's New Focus™ photonics business, and Oclaro acquired Newport's high-power laser diode manufacturing operations.

In addition, consolidation in the markets in which our customers compete has resulted in a greater concentration of purchasing power in a small number of OEMs. For example, Nortel Networks, Inc. intends to sell certain communications businesses and assets to competitors, such as Ciena, Ericsson and Avaya. Such consolidation among our customers and their customers may continue and may adversely affect our business, financial condition and operating results in several ways. Consolidation among our customers and their customers may result in a smaller number of large customers whose size and purchasing power give them increased leverage that may result in, among other things, decreases in our average selling prices. In addition to pricing pressures, this consolidation may also reduce overall demand for our manufacturing services where duplicate or competing product lines are discontinued in order to streamline operations. Further, consolidation among our customers may result in some of our customers obtaining the in-house capacity to manufacture their products they previously lacked, which could result in decreased demand for our manufacturing services by these customers.

If we fail to adequately expand our manufacturing capacity, we will not be able to grow our business, which would harm our business, financial condition and operating results.

We may not be able to pursue many large customer orders or sustain our historical growth rates 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 that they believe can fulfill all of 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.

We recently expanded our manufacturing capacity at our Thailand facilities and may further expand our manufacturing capacity in the future. We must continue to devote significant resources to the expansion of our manufacturing capacity, and any such expansion will be expensive, will require management's time and may disrupt our operations. In the event we are unsuccessful in our attempts to expand our manufacturing capacity, our business, financial condition and operating results could be harmed.

We may encounter difficulties completing or integrating acquisitions, asset purchases and other types of transactions that we may pursue in the future, which could disrupt our business, cause dilution to our shareholders and harm our business, financial condition and operating results.

We have grown and may continue to grow our business through acquisitions, asset purchases and other types of transactions, including the transfer of products from our customers and their suppliers. Acquisitions and other strategic transactions typically involve many risks, including the following:

- the integration of the acquired assets and facilities into our business may be difficult, time-consuming and costly, and may adversely impact our profitability;

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- we may lose key employees of the acquired companies or divisions;
- we may issue additional ordinary shares, which would dilute our current shareholders' percentage ownership in us;
- we may incur indebtedness to pay for the transactions;
- we may assume liabilities, some of which may be unknown at the time of the transactions;
- we may record goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential periodic impairment charges;
- we may incur amortization expenses related to certain intangible assets;
- we may devote significant resources to transactions that may not ultimately yield anticipated benefits;
- we may incur greater than expected expenses or lower than expected revenues;
- we may assume obligations with respect to regulatory requirements, including environmental regulations, which may prove more burdensome than expected; or
- we may become subject to litigation.

Acquisitions 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.

We may experience manufacturing yields that are lower than expected, potentially resulting in increased costs, which could harm our business, operating results and customer relations.

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;
- the experience and quality of training of our manufacturing and engineering teams; and
- the monitoring of the manufacturing environment.

Lower volume production due to continually changing designs generally results in lower yields. Manufacturing yields and margins can also be lower if we receive or inadvertently use defective or contaminated materials from our suppliers. In addition, our customer contracts typically provide that we will supply products at a fixed price each quarter, which assumes specific production yields and quality metrics. If we do not meet the yield assumptions and quality metrics used in calculating the price of a product, we may not be able to recover the costs associated with our failure to do so. Consequently, our operating results and profitability may be harmed.

If the products that we manufacture contain defects, we could incur significant correction costs, demand for our services may decline and we may be exposed to product liability and product warranty claims, which could harm our business, financial condition, operating results and customer relations.

We manufacture products to our customers' specifications, and our manufacturing processes and facilities must 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 processes may be subject to errors or fail to be in compliance with applicable statutory or regulatory requirements. Additionally,

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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 at the time of 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 after their initial acceptance by a customer.

We generally provide a warranty of between one and five years on the products that we manufacture for our customers. This warranty typically guarantees that products will conform to our customers' specifications and be free from defects in workmanship. Defects in the products we manufacture, whether caused by a design, engineering, manufacturing or component failure or by deficiencies in our manufacturing processes and whether during or after the warranty period, could result in product or component failures, which may damage our business reputation, whether or not we are indemnified for such failures. We could also incur significant costs to repair or replace defective products under warranty, particularly when such failures occur in installed systems. In some instances, we may also be required to incur costs to repair or replace defective products outside of the warranty period in the event that a recurring defect is discovered in a certain percentage of a customer's products delivered over an agreed upon period of time. We have experienced product or component failures in the past and remain exposed to such failures, as the products that we manufacture are widely deployed throughout the world in multiple environments and applications. 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 from defects that are not our fault. In addition, if the number or type of defects exceeds certain percentage limitations contained in our contractual arrangements, we may be required to conduct extensive failure analysis, re-qualify for production or cease production of the specified products.

Product liability claims may include liability for personal injury or property damage. Product warranty claims may include liability to pay for a recall, repair or replacement of a product or component. Although liability for these claims is generally assigned to our customers in our contracts, even where they have assumed liability, our customers may not, or may not have the resources to, satisfy claims for costs or liabilities arising from a defective product. Additionally, under one of our contracts, in the event the products we manufacture do not meet the end-customer's testing requirements or otherwise fail, we may be required to pay penalties to our customer, including a fee during the time period that the customer or end-customer's production line is not operational as a result of the failure of the products that we manufacture, all of which could harm our business, operating results and customer relations. If we engineer or manufacture a product that is found to cause any personal injury or property damage or is otherwise found to be defective, we could incur significant costs to resolve the claim. While we maintain insurance for certain product liability claims, we do not maintain insurance for any recalls and, therefore, would be required to pay any associated costs that 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.

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

As a manufacturer of products for the optics industry, we are required to meet certain certification standards, including the following: ISO 9001:2000 for Manufacturing Quality Systems; ISO 14001 for Environmental Quality Systems; OHSAS18001 for Occupational Health and Safety Management Systems; TL9000 for Telecommunications Industry Quality Certification; TS16949:2002 for Automotive Industry Quality Certification; 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. Additionally, we are required to register with the FDA and other regulatory bodies and are subject to continual review and periodic inspection for compliance with these requirements, which require manufacturers to adhere to certain regulations, including testing, quality control and documentation procedures. We hold the following additional certifications:

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SONY Green Partner for Environmental Management Systems and CSR-DIW for Corporate Social Responsibility in Thailand. In the European Union, we are required to maintain certain ISO certifications in order to sell our precision optical, electro-mechanical and electronic manufacturing services and we must undergo periodic inspections by regulatory bodies to obtain and maintain these certifications. If any regulatory 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 closing 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 employees or retain key personnel, our business, financial condition and operating results could suffer.

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 human resources, supply chain management, 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, including Mr. Mitchell, and other key management and technical personnel, each of whom would be difficult to replace. We do not have key person life insurance or long-term employment contracts with any of our key personnel. 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.

Failure to comply with applicable environmental laws and regulations could have a material adverse effect on our business, results of operations and financial condition.

The sale and manufacturing of products in certain states and countries may subject us to environmental laws and regulations. Although we do not anticipate any material adverse effects based on the nature of our operations and these laws and regulations, we will need to ensure that we and our suppliers comply with such laws and regulations as they are enacted. If we fail to timely comply with such laws and regulations, our customers may cease doing business with us, which would have a material adverse effect on our business, results of operations and financial condition. In addition, if we were found to be in violation of these laws, we could be subject to governmental fines, liability to our customers and damage to our reputation, which would also have a material adverse effect on our business, results of operations and financial condition.

The effects of the recent global economic crisis have and may continue to adversely impact our business, operating results and financial condition.

The recent global economic crisis has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and impacted levels of business and consumer spending. These macroeconomic developments have negatively affected and may continue to negatively affect our business, operating results and financial condition in a number of ways. For example, in fiscal 2009, various customers delayed or decreased spending on new projects with us while others delayed paying us for products and services that we had previously provided. Additionally, as a result of these macroeconomic developments, in fiscal 2009, there was a decline in demand for our customers' products across all of the industries we serve, which caused our customers to reduce their manufacturing and supply chain outsourcing, resulting in a 13.7% decline in our total revenues and a 25.2% decline in our net income from fiscal 2008 to fiscal 2009. Further, concern about the stability of the markets generally and the strength of counterparties led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers, including to our suppliers and customers, which further exacerbated downward pressure on demand for our products and services.

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Any worsening of global economic conditions could, among other things, make it more difficult for us, our customers and our suppliers to obtain credit, cause our customers or potential customers to reduce or delay their orders with us or cancel their orders altogether, lead to further downward pricing pressures, result in further delays in paying us or result in insolvency for key suppliers or customers, any of which could harm our business, financial condition and operating results.

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

In some countries in which we operate, including the PRC and Thailand, potential outbreaks of infectious diseases such as the H1N1 influenza virus, severe acute respiratory syndrome (SARS) or bird flu could disrupt our manufacturing operations, reduce demand for our customers' products and increase our supply chain costs. Natural disasters, such as the May 2008 earthquake in Sichuan, China, which reported a magnitude of 7.9 on the Richter scale and resulted in the death of tens of thousands of people, could severely disrupt manufacturing operations 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 economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers, and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our 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 24, 2011. 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 (defined as deficiencies, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis).

Given the nature and complexity of our business and the fact that some members of our management team are located in Thailand while others are located in the U.S., control deficiencies may periodically occur. While we have ongoing measures and procedures to prevent and remedy such deficiencies, if they occur there can be no assurance that we will be successful or that we will be able to prevent material weaknesses or significant deficiencies in our internal control over financial reporting in the future. 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. 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.

We are subject to the risk of increased income taxes, which could harm our business, financial condition and operating results.

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, the PRC 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. Preferential tax treatment from the Thai government is currently available to us, and we intend to take advantage of it beginning in July 2010 for a period of three years, which will be contingent on, among other things, the export of our customers' products out of Thailand and our agreement not to move our manufacturing facilities out of our current province in Thailand for at least 15 years. 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. We cannot guarantee that such preferential tax treatment will continue. Our PRC subsidiary does not qualify for any such tax incentives, and we do not anticipate that it will qualify for any tax incentives in the future. There is also a risk that Thailand or another jurisdiction in which we operate may treat our Cayman Islands parent as having a permanent establishment in such jurisdiction and subject its income to tax. If we become subject to additional taxes in any jurisdiction or if any jurisdiction begins to treat our Cayman Islands parent as having a permanent establishment, such tax treatment could materially and adversely affect our business, financial condition and operating results.

Certain of our subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, us and our other subsidiaries in different jurisdictions. For instance, we have inter-company agreements in place that provide for our California and Singapore subsidiaries to provide administrative services for our Cayman Islands parent, and our Cayman Islands parent has 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 that require all transactions with non-resident related parties to be priced using arm's length pricing principles and require the existence of contemporaneous documentation to support such pricing. International tax authorities could challenge the validity of our related party transfer pricing policies. Such a challenge generally involves a complex area of taxation and a significant degree of judgment by management. 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, which will be determined in part on the trading price of our ordinary shares, we do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the taxable year 2010 or for the foreseeable future. However, despite our expectations, we cannot assure you that we will not be a PFIC for the taxable year 2010 or any future year because our PFIC status is determined at the end of each year and depends on the composition of our income and assets during such year. Our special U.S. counsel expresses no opinion with respect to our PFIC status or our expectations contained in this paragraph. If we are a PFIC, our U.S. investors will be subject to increased tax liabilities under U.S. tax laws and regulations and 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 from 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.

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. If adequate additional 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 manufacturing services, hire additional technical and other personnel, or otherwise respond to competitive pressures could be significantly limited.

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

As of September 25, 2009, our existing shareholders Asia Pacific Growth Fund III, L.P., an affiliate of H&Q Asia Pacific, JDS Uniphase Corporation, J.F. Shea Co. Inc. and Mr. Mitchell, our chief executive officer, president and chairman of the board of directors, beneficially owned, collectively, approximately 92.4% 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 and are expected to beneficially own, collectively, approximately []% of our outstanding ordinary shares. 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. The interests of these shareholders may differ from the interests of our other shareholders.

The loan agreements for our long-term debt obligations contain financial ratio covenants that may impair our ability to conduct our business.

We have loan agreements for our long-term debt obligations, which contain financial ratio covenants that may limit management's discretion with respect to certain business matters. These covenants require us to maintain a specified debt-to-equity ratio and debt service coverage ratio (earnings before interest and depreciation and amortization plus cash on hand minus short-term debt), which may restrict our ability to incur additional indebtedness and limit our ability to use our cash. In the event of our default on these loans or a breach of a covenant, the lenders may immediately cancel the loan agreement, deem the full amount of the outstanding indebtedness immediately due and payable, charge us interest on a monthly basis on the full amount of the outstanding indebtedness and sell the assets pledged as collateral for the loan in order to fulfill our obligation. We may also be held responsible for any damages and related expenses incurred by the lender as a result of any default. Any failure by us or our subsidiaries to comply with these agreements could harm our business, financial condition and operating results.

We are subject to risks associated with the availability and coverage of insurance.

For certain risks, we do not maintain insurance coverage because of the cost or availability of certain coverage. Because we retain some portion of our insurable risks, and in some cases self-insure completely, unforeseen or catastrophic losses in excess of insured limits may have a material adverse effect on our business, financial condition and operating results.

Energy price increases may negatively impact our results of operations.

We, along with our suppliers and customers, rely on various energy sources in our manufacturing and transportation activities. Energy prices have been subject to increases and volatility caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events and government regulations. While significant uncertainty currently exists about the future levels of energy prices, a significant increase is possible. Increased energy prices could increase our raw material and transportation costs. In addition, increased transportation costs of our suppliers and customers could be passed along to us. We may not be able to increase our prices enough to offset these increased costs. In addition, any increase in our prices may reduce our future customer orders which could harm our business, financial condition and operating results.

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

Our services 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. For example, in December 2008, Fabrinet USA, Inc. was served with a complaint, along with EMCORE Corporation, our customer, filed by Avago Technologies in the United States District Court for the Northern District of California, San Jose Division (Case No. C08-05394SI), alleging infringement of two patents by EMCORE Corporation's VLSEL products. On January 28, 2009, Avago Technologies dismissed the complaint against Fabrinet USA, Inc. by filing a notice of voluntary dismissal without prejudice with the United States District Court.

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 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, which could harm our business, financial condition and operating results.

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

We focus on manufacturing complex optical products for our customers. These products 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 may maintain separate and secure areas for customer proprietary manufacturing processes and materials and 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.

There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with U.S. GAAP. Any changes in estimates, judgments and assumptions could have a material adverse effect on our business, financial condition and operating results.

The preparation of financial statements in accordance with U.S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities and

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related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on 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 Corporation, or JDSU, one of our largest customers, owned approximately 6.4% of our outstanding ordinary shares on a fully-diluted basis as of September 25, 2009. JDSU accounted for approximately 13%, 20%, 20% and 26% of our total revenues for the three months ended September 25, 2009, fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Our existing and potential customers may view our relationship with JDSU and its 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 manufacture products internally.

We are subject to governmental export and import controls in 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. that may limit our business opportunities. Various countries regulate the import of certain technologies and have enacted laws that could limit our ability to export or sell the products we manufacture. The export of certain technologies from the U.S. and other nations to the PRC is barred by applicable export controls, and similar prohibitions could be extended to Thailand, thereby limiting our ability to manufacture certain products. Any change in export or import regulations or related legislation, shift in approach to the enforcement of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could limit our ability to offer our manufacturing services to existing or potential customers, 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 of 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 assurance that a liquid public market for our ordinary shares will develop. The initial public offering price of 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 our ordinary shares trade 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 initiated 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 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 of shares of technology-related companies often reach

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levels that bear no established relationship to the past operating performance of these companies. Historically, the market prices of the securities of technology, communications 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 of 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 our 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 25, 2009, there will be [] ordinary shares outstanding immediately after this offering. In addition, as of September 25, 2009, there were outstanding options to purchase 782,082 ordinary shares, 568,293 of which were vested and exercisable. 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 30,849,355 ordinary shares outstanding as of September 25, 2009 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.

In connection with this offering, we, the selling shareholders, all of our directors and executive officers and a substantial portion of our other shareholders and optionholders have entered into lock-up agreements pursuant to which we and they 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.

After this offering, we intend to register on Form S-8 approximately [] ordinary shares subject to share options that we have issued or may issue under our equity incentive plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements, if applicable, described above.

In addition, Asia Pacific Growth Fund III, L.P., which beneficially owns 18 million shares, and Mr. Mitchell, who beneficially owns 6.3 million shares, will have rights, under certain conditions, to cause us to register under the Securities Act the sale of their ordinary shares after the expiration of the 180-day lock-up period. Registration of these shares under the Securities Act will result in these shares becoming freely tradable without restrictions under the Securities Act immediately upon the effectiveness of the registration. Sale of these registered shares in the public market could cause the price of our ordinary shares to decline. See “Certain Relationships and Related Party Transactions—Registration Rights.”

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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. 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 share options), representing the difference between the net tangible book value per share of our ordinary shares as of September 25, 2009 (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 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 share options. All of our ordinary shares issuable upon the exercise of currently outstanding share options 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 if they 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 of 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 the market price or trading volume of our ordinary shares to decline.

Certain provisions in our constitutional documents may discourage our acquisition by a third party, which could limit your opportunity to sell 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, provisions that:

- prohibit our shareholders from calling meetings or acting by written consent in lieu of a meeting;
- limit the ability of our shareholders to propose actions at duly convened meetings; and
- 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 transaction.

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 and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of 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 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.

While Cayman Islands law allows a dissenting shareholder to express the shareholder's view that a court sanctioned reorganization of a Cayman Islands company would not provide fair value for the shareholder's shares, Cayman Islands statutory 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 our company have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of 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 from 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 from 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 from this offering are being used appropriately. You must rely on the judgment of our management regarding the application of such proceeds. The net proceeds may be used for corporate purposes that do not improve our profitability or increase the market price of our ordinary shares. Further, the net proceeds may be used to pursue various acquisitions or other strategic transactions that may prove unsuccessful and cause the market price of our ordinary shares to decline. The net proceeds from this offering may also be placed in investments that do not produce income or that lose value.

Although we recently paid cash dividends, we do not anticipate paying any dividends on our ordinary shares in the future.

In October 2008, we paid a cash dividend of \$0.33 per share, totaling \$10.1 million. In September 2009, we paid a cash dividend of \$1.00 per share, totaling \$30.8 million. Although we previously paid such cash dividends, we currently intend to retain any earnings to finance our operations and growth. Because we do not anticipate paying any dividends on our ordinary shares in the future, 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, operating results, expenses, capital requirements and 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' and our suppliers' ability to respond successfully to technological or industry developments;
- our suppliers' estimates regarding future costs;
- our ability to increase our penetration of existing markets and penetrate new markets;
- our plans to diversify our sources of revenues;
- our use of proceeds from this offering;
- trends in the optical communications, industrial lasers and sensors markets, 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 optical communications, industrial lasers and sensors markets. This market data includes projections that are based on a number of assumptions. These 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

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changing nature of these markets 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.

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 cover page 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 from this offering for any particular purpose. We anticipate using the net proceeds from this offering for general corporate purposes, including working capital, capital expenditures and 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.

The foregoing represents our current intentions with respect to the use of the net proceeds from this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in using the net proceeds from this offering. The occurrence of unforeseen events or changed business conditions may result in the use of the proceeds from 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.

DIVIDEND POLICY

On October 28, 2008, we paid a cash dividend of \$0.33 per share, totaling \$10.1 million. On September 1, 2009, we paid a cash dividend of \$1.00 per share, totaling \$30.8 million. Although we previously paid cash dividends, we currently intend to retain any earnings for use in our business and do not currently intend to pay cash dividends on our ordinary shares after this offering. Dividends, if any, on our 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, applicable laws and regulations and other factors our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and total capitalization as of September 25, 2009:

- 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 page 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.

	<u>As of September 25, 2009</u>	
	<u>Actual</u>	<u>As Adjusted</u>
	<u>(unaudited, in thousands)</u>	
Cash and cash equivalents	\$ 92,903	\$ []
Long-term loans from banks, non-current portion ⁽¹⁾	\$ 17,968	\$ []
Shareholders’ equity:		
Ordinary shares, \$0.01 par value; Authorized: 35,000,000 ordinary shares actual, [] ordinary shares, as adjusted; Issued and outstanding: 30,849,355 ordinary shares actual, [] ordinary shares, as adjusted	308	[]
Additional paid-in capital	30,123	[]
Retained earnings	138,903	[]
Total shareholders’ equity	<u>169,334</u>	<u>[]</u>
Total capitalization ⁽²⁾	<u>\$ 187,302</u>	<u>\$ []</u>

(1) The long-term loans from banks are secured by certain property, plant and equipment.

(2) Excludes cash and cash equivalents.

This table excludes:

- 782,082 ordinary shares issuable upon the exercise of all share options, whether vested or unvested, outstanding under our 1999 Share Option Plan as of September 25, 2009, at a weighted average exercise price of \$3.05 per ordinary share; and
- 157,134 ordinary shares available for future issuance under our 1999 Share Option Plan as of September 25, 2009, and [] ordinary shares that will be available for future issuance under our 2010 Performance Incentive Plan.

DILUTION

Our net tangible book value as of September 25, 2009 was approximately \$168 million, or \$5.45 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 the as adjusted net tangible book value per ordinary share from the assumed initial public offering price per ordinary share.

Without taking into account any other changes in such net tangible book value after September 25, 2009, 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 as of September 25, 2009 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 as of September 25, 2009, before giving effect to this offering	\$5.45
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	\$[]

A \$[] increase (decrease) in the assumed initial public offering price of \$[] per ordinary share, which is the mid-point of the estimated public offering price range shown on the cover page of this prospectus, would increase (decrease) our as adjusted net tangible book value per share by \$[] (\$[]), assuming the number of shares that we offer remains the same as set forth on the cover page of this prospectus and after deducting underwriting discounts and commissions and estimated offering expenses.

The following table summarizes on an as adjusted basis described above, as of September 25, 2009, 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	Share
Existing shareholders	[]	[]%	\$[]	[]%	\$[]
New investors	[]	[]	[]	[]	[]
Total	[]	100%	\$[]	100%	\$[]

Sales by the selling shareholders in this offering will cause the number of shares beneficially owned by existing shareholders to be reduced to approximately []% of the total number of our ordinary shares outstanding after this offering. 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 share options outstanding as of September 25, 2009. As of September 25, 2009, there were:

- 782,082 ordinary shares issuable upon the exercise of all share options, whether vested or unvested, outstanding under our 1999 Share Option Plan at a weighted average exercise price of \$3.05 per share; and
- 157,134 ordinary shares available for future issuance under our 1999 Share Option Plan, and [] ordinary shares that will be available for future issuance under our 2010 Performance Incentive Plan.

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

SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the selected consolidated financial data for the three months ended September 25, 2009 and September 26, 2008, and as of September 25, 2009, from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus. We have derived the selected consolidated financial data for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, and as of June 26, 2009 and June 27, 2008, from our audited consolidated financial statements that are included elsewhere in this prospectus. We have derived the selected consolidated financial data for the years ended June 30, 2006 and June 24, 2005, and as of June 29, 2007, June 30, 2006 and June 24, 2005, from our audited consolidated financial statements that are not included in this prospectus. We use a 52-53 week fiscal year ending on the last Friday in June and a 13 week fiscal quarter ending on the last Friday in September for our first fiscal quarter. The selected consolidated financial data presented below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our 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 U.S. GAAP.

	Three Months Ended		Year Ended				
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007	June 30, 2006	June 24, 2005
	(unaudited)		(in thousands, except per share data)				
Summary Consolidated Statements of Operations							
Data:⁽¹⁾							
Revenues:							
Revenues	\$ 84,244	\$ 106,007	\$ 337,846	\$ 345,071	\$ 295,338	\$ 200,171	\$ 77,187
Revenues, related parties	12,774	39,175	101,895	163,312	191,690	170,272	120,014
Other	—	679	1,358	2,715	9,115	5,216	4,751
Total revenues	97,018	145,861	441,099	511,098	496,143	375,659	201,952
Cost of revenues	(86,058)	(122,537)	(383,058)	(442,784)	(423,858)	(339,682)	(190,633)
Gross profit	10,960	23,324	58,041	68,314	72,285	35,977	11,319
Selling, general and administrative expenses	(3,809)	(9,644)	(21,960)	(21,741)	(18,036)	(10,935)	(6,389)
Restructuring charges	—	—	(2,389)	—	—	—	—
Operating income	7,151	13,680	33,692	46,573	54,249	25,042	4,930
Interest income	111	308	756	1,364	1,370	1,015	508
Interest expense	(161)	(384)	(1,266)	(1,547)	(2,842)	(3,346)	(834)
Foreign exchange (loss) gain, net	(60)	246	360	(599)	(336)	(181)	165
Income before income taxes	7,041	13,850	33,542	45,791	52,441	22,530	4,769
Income tax (expense) benefit	(855)	(1,638)	(2,238)	(3,962)	(2,702)	(1,076)	730
Net income	<u>\$ 6,186</u>	<u>\$ 12,212</u>	<u>\$ 31,304</u>	<u>\$ 41,829</u>	<u>\$ 49,739</u>	<u>\$ 21,454</u>	<u>\$ 5,499</u>
Earnings per share:							
Basic	\$ 0.20	\$ 0.41	\$ 1.03	\$ 1.40	\$ 1.68	\$ 0.73	\$ 0.19
Diluted	\$ 0.20	\$ 0.39	\$ 1.00	\$ 1.33	\$ 1.60	\$ 0.71	\$ 0.18
Weighted average number of ordinary shares outstanding:							
Basic	30,707	30,046	30,360	29,889	29,600	29,469	29,451
Diluted	31,269	31,387	31,183	31,349	31,077	30,403	30,032
Cash dividends declared per share	\$ 1.00	\$ —	\$ 0.33	\$ —	\$ —	\$ —	\$ —

(1) We adopted FASB ASC 718 and ASC 740 during fiscal 2007 and fiscal 2008, respectively.

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	As of September 25, 2009		As of				
	Actual	As Adjusted ⁽¹⁾ (unaudited)	June 26, 2009	June 27, 2008	June 29, 2007	June 30, 2006	June 24, 2005
(in thousands)							
Summary Consolidated Balance Sheet Data:							
Cash and cash equivalents	\$ 92,903		\$ 114,845	\$ 55,682	\$ 40,873	\$ 40,063	\$ 42,953
Working capital ⁽²⁾	57,715		58,311	99,260	105,347	83,152	65,505
Total assets	275,598		288,085	292,713	240,081	240,815	180,325
Current and long-term debt	25,220		27,318	29,575	35,498	33,006	31,606
Total liabilities	106,264		94,580	122,148	110,726	162,132	123,287
Total shareholders' equity	169,334		193,505	170,565	129,355	78,683	57,038

(1) The balance sheet data is presented on an as adjusted basis to reflect our application of the net proceeds from this offering.

(2) Working capital is defined as trade accounts receivable plus inventories, less trade accounts payable.

	Three Months Ended		Year Ended				
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007	June 30, 2006	June 24, 2005
(in thousands)							

Summary Consolidated Statements of Cash Flows Data:

Net cash provided by (used in) operating activities	\$ 11,560	\$ 10,356	\$80,357	\$ 51,891	\$ 26,244	\$ 25,073	\$(4,935)
Net cash (used in) provided by investing activities	(978)	(2,023)	(7,187)	(29,815)	(12,380)	(10,845)	2,615

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 U.S. 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 section entitled "Special Note Regarding Forward-Looking Statements" elsewhere in this prospectus.

Overview

We provide precision optical, electro-mechanical and electronic manufacturing services to OEMs of complex products, such as optical communication components, modules and sub-systems. We offer a broad range of advanced optical capabilities across the entire manufacturing process, including process engineering, design for manufacturability, supply chain management, manufacturing, final assembly and test. We focus primarily on low-volume production of a wide variety of products, which we refer to as "low-volume, high-mix." We believe we are a global leader in providing these services to the optical communications market. We have also expanded our customer base to include companies in other similarly complex industries that require advanced precision manufacturing capabilities, such as industrial lasers and sensors. Our customers in these industries support a growing number of end-markets, including semiconductor processing, biotechnology, metrology, material processing, auto safety and medical devices.

Our customers include six of the ten largest optical communications components companies worldwide in terms of revenue for the twelve months ended June 30, 2009, according to Ovum-RHK, a market research firm. Our diverse customer base includes Coherent, Inc., EMCORE Corporation, Finisar Corporation, Infinera Corporation, JDS Uniphase Corporation, Newport Corporation, Oclaro, Inc., and Opnext, Inc. In many cases, we are the sole outsourced manufacturing partner used by our customers for the products that we produce for them. The products that we manufacture for our OEM customers include: selective switching products; tunable transponders and transceivers; active optical cables; solid state, diode-pumped and gas lasers; and sensors.

We also design and fabricate application-specific crystals, prisms, mirrors, laser components, substrates and other custom and standard borosilicate, clear fused quartz, and synthetic fused silica glass products. We incorporate our customized optics and glass into many of the products we manufacture for our OEM customers, and we also sell customized optics and glass in the merchant market.

We have been consistently profitable since our inception, achieving 39 consecutive quarters of profitable operations. Over our last five fiscal years, despite the 13.7% decline in our revenues from fiscal 2008 to fiscal 2009, our total revenues increased from \$202.0 million in fiscal 2005 to \$441.1 million in fiscal 2009, representing a compound annual growth rate of 21.6%. Our gross profit margin increased from 5.6% in fiscal 2005 to 13.2% in fiscal 2009, while our operating income as a percentage of revenues increased from 2.4% in fiscal 2005 to 7.6% in fiscal 2009. Although our revenues for the three months ended September 26, 2008, which was our first quarter of fiscal 2009, reached \$145.9 million, the highest revenue quarter in our history, our revenues sharply declined beginning in the second quarter of fiscal 2009 as a result of the recent global economic slowdown and the related decline in our customers' demand for our products and services. Commencing in the first quarter of fiscal 2009, we aggressively decreased our cost of revenues and selling, general and administrative expenses in response to the global economic downturn by, among other things, reducing employee overtime, reducing discretionary spending and implementing a reduction in our workforce. We recognized restructuring charges for severance and benefits of \$2.4 million during our third quarter of fiscal 2009 as a result of such efforts.

Revenues

We generated substantially all of our total revenues during fiscal 2009 from the optical communications, industrial lasers and sensors markets. From fiscal 2005 through fiscal 2008, our compound annual revenue growth rate was 36.3%. Our total revenues declined during fiscal 2009 by 13.7% due to reduced demand for our products and services resulting from the recent global economic slowdown. However, despite the recent downturn, we believe the long-term outlook for our services will continue to benefit from increased demand for optical equipment, as well as the ongoing trend towards outsourced manufacturing by our targeted OEM customers. We expect that industrial lasers and sensors will generate an increasing portion of our revenues in the future.

We believe our success in expanding our relationships with existing customers and attracting new customers is due to a number of factors, including our broad range of complex engineering and manufacturing service offerings, flexible low-cost manufacturing platform, process optimization capabilities, advanced supply chain management, excellent customer service and experienced management team. We expect the prices we charge for the products we manufacture for our customers to decrease over time due in part to competitive market forces. However, we believe we will be able to maintain favorable pricing for our services due to our ability to adjust our product mix by focusing on more complicated products, reduce cycle time, improve yields, and reduce material costs for the products we manufacture. We believe these capabilities have enabled us to help our OEM customers reduce their manufacturing costs while maintaining or improving the design, quality, reliability and delivery times for their products.

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

	Three Months Ended		Year Ended		
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007
Oclaro, Inc. [#]	18.7%	21.8%	19.8%	21.8%	25.3%
Opnext, Inc.	17.1	*	10.9	11.3	11.6
JDS Uniphase Corporation	13.2	18.2	20.2	19.6	25.8
Finisar Corporation	12.3	13.7	15.0	12.4	14.7
EMCORE Corporation	10.7	22.5	15.7	*	*

[#] Pursuant to the merger of Avanex Corporation and Bookham, Inc. (both customers of Fabrinet) on April 27, 2009, Bookham, Inc. changed its name to Oclaro, Inc. These figures represent the combined revenues of Bookham, Inc. and Avanex Corporation.

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

During the three months ended September 25, 2009 and fiscal 2009, we had five customers that each contributed 10% or more of our total revenues. During the three months ended September 25, 2009 and fiscal 2009, our five largest customers together accounted for 72% and 82%, respectively, of our total revenues. During fiscal 2008 and fiscal 2007, we had four customers that each contributed 10% or more of our total revenues.

Revenues, Related Parties

Revenues, related parties, represents revenues from our manufacturing of optical communications products for JDS Uniphase Corporation (or JDSU) and Finisar Corporation (or Finisar), a classification required by Rule 4-08(k) of Regulation S-X under the Exchange Act. JDSU is classified as a related party for all fiscal periods discussed below under "Results of Operations" because it held 6.4%, 6.4%, 6.4% and 6.5% of our share capital on a fully diluted basis as of September 25, 2009, June 26, 2009, June 27, 2008 and June 29, 2007, respectively. Finisar Corporation is classified as a related party for all fiscal periods discussed below under "Results of Operations" (other than the three months ended September 25, 2009) because Frank H. Levinson, a member of our board of directors, served on Finisar's board of directors until August 2008. As of August 29, 2008, Finisar was no longer classified as a related party.

Other Revenues

Other revenues represents revenues from production wind-down and transfer agreements and, solely for fiscal 2005, revenues from our disk storage solutions business. Through the three months ended December 26, 2008, we recognized income from production wind-down and transfer agreements, primarily consisting of income received from the production wind-down and transfer agreements we entered into during fiscal 2005 and fiscal 2006. We recognized this income on a straight-line basis over the estimated wind-down period and the product life cycle of the products transferred to our Thailand facilities under those various agreements. Currently, we do not expect to enter into new production wind-down and transfer agreements. See the section titled “revenue recognition” at Note 2.1 of our audited consolidated financial statements for further details.

Revenues by Geography

We generate revenues from three geographic regions: North America, Asia-Pacific and Europe. Revenues are attributed to a particular geographic area based on the location to which we ship our customer’s products. Virtually all of our revenues are derived from our manufacturing facilities in Asia.

The percentage of our revenues generated outside of North America has increased from 35.0% in fiscal 2007 to 38.5% in fiscal 2009 and from 35.4% in the three months ended September 26, 2008 to 44.8% in the three months ended September 25, 2009, primarily as a result of increasing sales in Asia-Pacific and Europe. We expect that an increasing portion of our revenues will come from outside of North America in the future.

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

	Three Months Ended		Year Ended		
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007
North America	55.2%	64.6%	61.5%	62.3%	65.0%
Asia-Pacific	41.0	30.6	34.3	30.5	31.1
Europe	3.8	4.8	4.2	7.2	3.9
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Our Contracts

We enter into supply agreements with our customers that generally have an initial term of two to three years. There are no minimum purchase requirements in our supply agreements. However, these supply agreements generally include provisions for pricing and periodic review of pricing, consignment of our customer’s unique production equipment to us, sharing benefits from cost-savings derived from our efforts and providing us with forecasts of demand requirements. We are generally required to purchase materials, which may include long lead-time materials, to meet the stated demands of our customers. After procuring materials, we manufacture products for a customer based on purchase orders that contain terms regarding quantity, delivery location and delivery dates and generally require the customer to purchase the finished goods from us. Materials that are not consumed by our customers within a specified period of time or are no longer required due to a product’s cancellation or end-of-life are typically designated as excess or obsolete inventory under our contracts. After materials are designated as either excess or obsolete inventory, our customers are typically required to purchase the inventory from us even if they have chosen to cancel production of the related products.

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 our cost of revenues. Several of the materials we require

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to manufacture products for our customers are customized for their products and, in many instances, sourced from a single supplier, in some cases our own subsidiaries. Shortages from sole-source suppliers due to yield loss, quality concerns and capacity constraints, among other factors, may increase our expenses and negatively impact our gross 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, merit-based bonuses, 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 fluctuation of the Thai baht and RMB 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.

We previously maintained an Employee Profit Sharing Plan, under which we allocated ten percent of our adjusted pre-tax profits to be distributed quarterly to our employees. A portion of the Employee Profit Sharing Plan was allocated to the Executive Bonus Plan and made available for our executive officers and senior management, collectively known as our senior staff. The remainder of the Employee Profit Sharing Plan was distributed to our employees as direct profit sharing and merit-based bonus compensation. The Employee Profit Sharing Plan was eliminated during the three months ended March 27, 2009. Currently, merit-based bonus awards are available and distributed to non-senior staff. There is currently no bonus or incentive compensation available to senior staff. Charges included in cost of revenues for profit sharing and merit-based bonus distributions to employees under these plans were \$0, \$1.3 million, \$2.3 million and \$2.5 million for the three months ended September 25, 2009, fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

Share-based compensation expense included in cost of revenues was \$0.1 million, \$0.4 million, \$0.6 million and \$0.4 million for the three months ended September 25, 2009, fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

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 previously paid under our Employee Profit Sharing Plan, research and development expenses related to the design of customized optics and glass, travel expenses, legal and other professional fees, share-based compensation expense, and other general expenses not related to cost of revenues. Charges included in SG&A expenses for profit sharing distributions to senior staff were \$0, \$1.6 million, \$2.7 million and \$2.7 million for the three months ended September 25, 2009, fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

Share-based compensation expense included in SG&A expenses was \$0.1 million, \$0.4 million, \$0.6 million and \$0.4 million for the three months ended September 25, 2009, fiscal 2009, fiscal 2008 and fiscal 2007, 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 the 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 fluctuated substantially in recent years and may continue to 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 the risk of significant accounting losses.

As of June 26, 2009 and June 27, 2008, we had outstanding foreign currency assets and liabilities in Thai baht and RMB as follows:

	June 26, 2009			June 27, 2008		
	Currency	\$	%	Currency	\$	%
(in thousands)						
Assets						
Thai baht	110,018	3,228	29.1%	137,845	4,104	23.6%
RMB	53,758	7,868	70.9	90,936	13,253	76.4
		<u>11,096</u>	<u>100.0%</u>		<u>17,357</u>	<u>100.0%</u>
Liabilities						
Thai baht	295,114	8,659	83.3%	499,321	14,865	84.0%
RMB	11,831	1,740	16.7	19,379	2,822	16.0
		<u>10,399</u>	<u>100.0%</u>		<u>17,687</u>	<u>100.0%</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. We manage our exposure to fluctuations in foreign exchange rates by using foreign currency contracts and offsetting assets and liabilities denominated in the same currency. As of June 26, 2009, there was \$3.0 million in selling forward contracts outstanding on the Thai baht payables. As of June 27, 2008, there was \$18.0 million in selling forward contracts outstanding on the Thai baht payables, \$4.0 million selling forward contracts outstanding to fix the Thai baht amount to be received in relation to U.S. dollar long-term loan proceeds, and CAD \$2.4 million in buying forward contracts outstanding for payment to a Canadian vendor.

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 are hedged using RMB assets. As of June 26, 2009 and June 27, 2008, there were no outstanding forward contracts with respect to RMB assets or liabilities.

Currency Regulation and Dividend Distribution

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

- Foreign Currency Administration Rules, as amended on August 5, 2008, or the Exchange Rules;
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules; and
- Notice on Perfecting Practices Concerning Foreign Exchange Settlement Regarding the Capital Contribution by Foreign-invested Enterprises, as promulgated by the State Administration of Foreign Exchange, or SAFE, on August 29, 2008, or Circular 142.

Under the Exchange Rules, RMB is freely convertible into foreign currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. However, 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 SAFE.

Under the Administration Rules, foreign-invested enterprises may only buy, sell or remit foreign currencies at 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. 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.

Circular 142 regulates the conversion by a foreign-invested company of foreign currency into RMB by restricting how the converted RMB may be used. Circular 142 requires that the registered capital of a foreign-invested enterprise settled in RMB converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of foreign-invested enterprises settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without SAFE's approval and may not be used to repay RMB loans if the proceeds of such loans have not been used.

On January 5, 2007, SAFE promulgated the Detailed Rules for Implementing the Measures for the Administration on Individual Foreign Exchange, or the Implementation Rules. Under the Implementation Rules, PRC citizens who are granted share 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 issued circulars concerning employee share options. Under these circulars, our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options with relevant tax authorities and withhold individual income taxes of those employees who exercise their share 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 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.

Throughout the period of our operations in Thailand, we have generally received income tax and other incentives from the Thailand Board of Investment. While we will not receive any income tax incentive in our operations in Thailand for fiscal 2010, a new tax incentive will commence for a period of three years beginning in July 2010 for income generated from new products manufactured at our Pinehurst Building 5. We do not currently qualify for any available tax incentives at our Fuzhou, PRC facility under the laws of the PRC.

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 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 we believe 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.

A quantitative sensitivity analysis is provided where such information is reasonably available, can be reliably estimated and provides material information to investors. The amounts used to assess sensitivity are included for illustrative purposes only and do not represent management's predictions of variability.

Long-Lived Assets

We review property, plant and equipment for impairment when events or changes in circumstances indicate 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. As of the end of fiscal 2009, 2008 and 2007, there were no trigger events that required an assessment of our long-lived assets for impairment.

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 collectability 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. Under our specific identification method it is not practical to assess the sensitivity of our estimates. As of September 25, 2009, we had identified receivables of approximately \$13.3 million, or approximately 18.5% of total receivables, the collection of which may be adversely affected. We continue to monitor these exposures and currently believe no material losses will be incurred.

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. During the three months ended September 25, 2009 and the year ended June 26, 2009, a change of 10% for excess and obsolete materials, based on product demand and production requirements from our customers, would have affected our net income in each period by approximately \$0.3 million.

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 carry forwards. 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. As of June 26, 2009 and June 27, 2008, we assessed all of our deferred tax assets as more likely than not to be realizable and, accordingly, did not have a valuation allowance against our deferred tax assets.

We assess tax positions in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods, based on the technical merits of the position. We apply a "more likely than not" basis (i.e., a likelihood greater than 50 percent), in accordance with FASB ASC 740-10, and recognize a tax provision in the financial statements for an uncertain tax position that would not be sustained.

Share-Based Compensation

We have adopted the 1999 Share Option Plan and, as of September 25, 2009, have awarded options to purchase 3,345,723 ordinary shares to our directors, officers and employees, or []% of our outstanding shares taking into account the ordinary shares to be offered by us in this offering. See "Executive Compensation—Incentive Compensation Plans—1999 Share Option Plan." These options include in each case an exercise price that is set by our board of directors. The fair market value of an ordinary share is determined by our board of directors by taking into consideration a number of assumptions, including valuation metrics of publicly-traded competitors and industry comparables.

Effective July 1, 2006, we adopted the fair value recognition provisions of FASB ASC Topic 718, *Compensation—Stock Compensation* ("FASB ASC 718"). Under the fair value recognition provisions of FASB ASC 718, we applied the prospective transition method and measured share-based compensation expense at fair value on the later of the awards' grant date or board of directors' approval date, based on the estimated number of awards that are expected to vest. Awards granted (or modified, repurchased, or cancelled) after the adoption of FASB ASC 718 are accounted for by recognizing the cost of employee services received in exchange for awards of equity instruments, based on the fair value of those awards, in the financial statements. In determining the 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.

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The determination of our share-based compensation expense under FASB ASC 718 for both current and future periods requires the input of highly subjective assumptions, including estimated forfeitures and the price volatility of the underlying ordinary shares. We estimate forfeitures based on past employee retention rates and our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. Our share-based compensation expense may change based on changes to our actual forfeitures.

For accounting purposes only, the fair value of each option grant is estimated using the Black-Scholes option pricing model, which takes into account the following factors: (i) the exercise price of the options, (ii) the estimated fair value of the underlying ordinary shares, (iii) the expected life of the options, (iv) the expected volatility of the underlying ordinary shares, (v) the risk-free interest rate during the expected life of the options, and (vi) the expected dividend yield of the underlying ordinary shares. However, these fair values are inherently uncertain and highly subjective.

The exercise price of the options is stated in the option agreements. Generally, for accounting purposes the estimated fair value of the underlying ordinary shares is based on our equity value as estimated by a valuation model comprised of different valuation approaches described in greater detail below. The expected life of the options involves estimates of the anticipated timing of the exercise of the vested options. The expected volatility is based on the historical volatility of the capital stock of comparable publicly-traded companies. We have applied the U.S. Treasury Bill interest rate with a maturity similar to the expected life of our options as the risk-free interest rate and assumed a dividend yield for periods when we paid dividends.

The following table summarizes the weighted average assumptions used in the Black-Scholes option pricing model for our options granted during fiscal 2009, 2008, and 2007.

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Risk-free rate of return	2.80%	3.51%	4.76%
Expected life (in years)	4.6	4.6	4.5
Expected volatility rate	77.40%	60.50%	63.00%
Dividend yield	5.28%	0.00%	0.00%

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The following table summarizes information regarding share options granted since the beginning of fiscal 2007.

<u>Grant Date</u>	<u>Number of Options Granted</u>	<u>Fair Value of Ordinary Share⁽¹⁾</u>	<u>Exercise Price Per Share</u>
July 2006	3,600	\$ 6.25	\$ 2.75
August 2006	7,200	6.25	3.00
September 2006	10,000	6.25	2.75
September 2006	7,200	6.25	3.00
October 2006	8,600	7.50	3.00
January 2007	40,000	10.75	3.00
January 2007	203,800	10.75	3.50
May 2007	7,200	12.00	4.00
August 2007	32,600	15.75	4.25
November 2007	29,700	15.00	4.75
February 2008	57,400	13.75	5.00
May 2008	25,400	8.75	5.25
August 2008	79,800	10.50	5.50
November 2008	28,800	6.25	5.75
November 2009	147,700	[]	5.75
	<u>689,000</u>		

(1) Represents the fair value of an ordinary share as of the date our board of directors approved the option grant, which, in some cases, may have occurred on a date after management communicated to an employee a commitment to grant the option.

When estimating the fair value of our ordinary shares, we began by applying a market multiple methodology to determine our equity value. Because all equity investments in Fabrinet were made either in advance of the commencement of operations, by our founder and chief executive officer, or within the first quarter of our operations ended March 31, 2000, there were no additional financing transactions to use as benchmarks in our valuation. We have not issued any convertible shares or shares with any preferences.

We have used appropriate valuation techniques and certain other third-party information available to us in determining the fair value of our ordinary shares. We determined the fair value of our ordinary shares each quarter to be equal to the mean of our (i) price earnings multiple enterprise value and (ii) revenue multiple enterprise value, divided by the total number of ordinary shares outstanding on a fully-diluted basis, rounded down to the nearest one-fourth. During fiscal 2009 and fiscal 2008, a change of \$2.00 per share to our estimate of the fair value of our ordinary shares underlying our incentive share options granted during the same periods would not result in a material change to the share-based compensation expense recorded during those periods.

In determining the price earnings multiples and the revenue multiples to be used in the above calculations, we obtained from third parties the price earnings multiples and revenue multiples of a group of comparable companies each quarter. We then calculated our price earnings multiple enterprise value and revenue multiple enterprise value by taking the average price earnings multiple and average revenue multiple of the group and multiplying such averages by our trailing 12-month earnings and revenues, respectively, each quarter.

In order to ensure that the calculated fair value per ordinary share amount is reasonable, each period we compared the fair value amount to third-party information available to us and assessed whether the fair value is consistent with our assessment of business performance and value.

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From June 30, 2006 to September 29, 2006, the estimated fair value of our ordinary shares increased from \$4.75 per share to \$6.25 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value increased compared to the previous quarter as a result of strong overall equity markets and the strong performance of our industry; and
- We recorded total revenues of \$108.6 million and net profit of \$8.0 million during the quarter ended June 30, 2006, and aggregate total revenues of \$375.7 million and net profit of \$21.5 million during the four previous quarters.

From September 29, 2006 to December 29, 2006, the estimated fair value of our ordinary shares increased from \$6.25 per share to \$7.50 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value did not change significantly; and
- We recorded total revenues of \$122.9 million and net profit of \$12.0 million during the quarter ended September 29, 2006, and aggregate total revenues of \$419.3 million and net profit of \$30.7 million during the four previous quarters.

From December 29, 2006 to March 30, 2007, the estimated fair value of our ordinary shares increased from \$7.50 per share to \$10.75 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value increased compared to the previous quarter as a result of continued strong overall equity markets and the strong performance of our industry; and
- We recorded total revenues of \$127.0 million and net profit of \$14.3 million during the quarter ended December 29, 2006, and aggregate total revenues of \$453.3 million and net profit of \$41.7 million during the four previous quarters.

From March 30, 2007 to June 29, 2007, the estimated fair value of our ordinary shares increased from \$10.75 per share to \$12.00 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value did not change significantly; and
- We recorded total revenues of \$126.4 million and net profit of \$12.8 million during the quarter ended March 30, 2007, and aggregate total revenues of \$484.8 million and net profit of \$47.0 million during the four previous quarters.

From June 29, 2007 to September 28, 2007, the estimated fair value of our ordinary shares increased from \$12.00 per share to \$15.75 per share due to the following factors:

- We commenced our prior effort to sell our ordinary shares in a proposed initial public offering and, as a result, we removed the discount factor we had applied to third-party estimates of our publicly-traded valuation levels in determining the fair value of our ordinary shares;
- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value did not change significantly; and
- We recorded total revenues of \$119.9 million and net profit of \$10.7 million during the quarter ended June 30, 2007, and aggregate total revenues of \$496.1 million and net profit of \$49.7 million during the four previous quarters.

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From September 28, 2007 to December 28, 2007, the estimated fair value of our ordinary shares decreased from \$15.75 per share to \$15.00 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value decreased compared to the previous quarter as a result of weak equity markets in general and the weak performance of our industry; and
- We recorded total revenues of \$118.2 million and net profit of \$9.4 million during the quarter ended September 28, 2007, and aggregate total revenues of \$491.4 million and net profit of \$47.2 million during the four previous quarters.

From December 28, 2007 to March 28, 2008, the estimated fair value of our ordinary shares decreased from \$15.00 per share to \$13.75 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value decreased compared to the previous quarter as a result of continued weak equity markets in general and the weak performance of our industry; and
- We recorded total revenues of \$123.6 million and net profit of \$10.7 million during the quarter ended December 28, 2007, and aggregate total revenues of \$488.1 million and net profit of \$43.7 million during the four previous quarters.

From March 28, 2008 to June 27, 2008, the estimated fair value of our ordinary shares decreased from \$13.75 per share to \$8.75 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value decreased compared to the previous quarter as a result of continued weak equity markets in general and the weak performance of our industry; and
- We recorded total revenues of \$124.0 million and net profit of \$8.7 million during the quarter ended March 28, 2008, and aggregate total revenues of \$485.7 million and net profit of \$39.5 million during the four previous quarters.

From June 27, 2008 to September 26, 2008, the estimated fair value of our ordinary shares increased from \$8.75 per share to \$10.50 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value slightly increased; and
- We recorded total revenues of \$145.3 million and net profit of \$12.9 million during the quarter ended June 27, 2008, and aggregate total revenues of \$511.1 million and net profit of \$41.8 million during the four previous quarters.

From September 26, 2008 to December 26, 2008, the estimated fair value of our ordinary shares decreased from \$10.50 per share to \$6.25 per share due to the following factors:

- The price earnings index and revenue multiple index of our publicly-traded comparables used to determine enterprise value decreased compared to the previous quarter as a result of continued weak equity markets in general and the weak performance of our industry; and
- We recorded total revenues of \$145.9 million and net profit of \$12.2 million during the quarter ended September 26, 2008, and aggregate total revenues of \$538.7 million and net profit of \$44.5 million during the four previous quarters.

From December 26, 2008 to December 25, 2009, the estimated fair value of our ordinary shares [] from \$6.25 per share to \$[] per share due to the following factors:

- []
- []

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Results of Operations

The following table sets forth a summary of our consolidated statements of operations. We believe that period-to-period comparisons of operating results should not be relied upon as indicative of future performance.

	Three Months Ended		Year Ended		
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007
	(unaudited)				
	(in thousands)				
Revenues:					
Revenues	\$ 84,244	\$ 106,007	\$ 337,846	\$ 345,071	\$ 295,338
Revenues, related parties	12,774	39,175	101,895	163,312	191,690
Other	—	679	1,358	2,715	9,115
Total revenues	97,018	145,861	441,099	511,098	496,143
Cost of revenues	(86,058)	(122,537)	(383,058)	(442,784)	(423,858)
Gross profit	10,960	23,324	58,041	68,314	72,285
Selling, general and administrative expenses	(3,809)	(9,644)	(21,960)	(21,741)	(18,036)
Restructuring charges	—	—	(2,389)	—	—
Operating income	7,151	13,680	33,692	46,573	54,249
Interest income	111	308	756	1,364	1,370
Interest expense	(161)	(384)	(1,266)	(1,547)	(2,842)
Foreign exchange (loss) gain, net	(60)	246	360	(599)	(336)
Income before income taxes	7,041	13,850	33,542	45,791	52,441
Income tax	(855)	(1,638)	(2,238)	(3,962)	(2,702)
Net income	\$ 6,186	\$ 12,212	\$ 31,304	\$ 41,829	\$ 49,739

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

	Three Months Ended		Year Ended		
	September 25, 2009	September 26, 2008	June 26, 2009	June 27, 2008	June 29, 2007
	(unaudited)				
Revenues:					
Revenues	86.8%	72.7%	76.6%	67.5%	59.5%
Revenues, related parties	13.2	26.8	23.1	32.0	38.6
Other	—	0.5	0.3	0.5	1.9
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues	(88.7)	(84.0)	(86.8)	(86.6)	(85.4)
Gross profit	11.3	16.0	13.2	13.4	14.6
Selling, general and administrative expenses	(3.9)	(6.6)	(5.0)	(4.3)	(3.7)
Restructuring charges	—	—	(0.6)	—	—
Operating income	7.4	9.4	7.6	9.1	10.9
Interest income	0.1	0.2	0.2	0.3	0.3
Interest expense	(0.2)	(0.3)	(0.3)	(0.3)	(0.6)
Foreign exchange (loss) gain, net	(0.1)	0.2	0.1	(0.1)	(0.1)
Income before income taxes	7.2	9.5	7.6	9.0	10.5
Income tax	(0.9)	(1.1)	(0.5)	(0.8)	(0.5)
Net income	6.3%	8.4%	7.1%	8.2%	10.0%

Comparison of Three Months Ended September 25, 2009 to Three Months Ended September 26, 2008

Total revenues. Our total revenues decreased by \$48.9 million, or 33.5%, to \$97.0 million for the three months ended September 25, 2009, as compared to \$145.9 million for the three months ended September 26, 2008. We generated substantially all of our total revenues during the three months ended September 25, 2009 from the optical communications, industrial lasers and sensors markets. Revenue from optical communications represented 82.8% of our total revenues for the three months ended September 25, 2009, as compared to 91.7% for the three months ended September 26, 2008 as a result of our continued efforts to diversify our revenue base. The decrease in our total revenues resulted from reductions in production volume as customer demand in all markets we serve decreased due to the recent global economic slowdown. Additionally, all income from production wind-down and transfer agreements had been recognized by the end of the three months ended December 26, 2008 and, as a result, income from production wind-down and transfer agreements declined from \$0.7 million for the three months ended September 26, 2008 to zero for the three months ended September 25, 2009. These decreases were partially offset by an increase of \$9.5 million from the sale of new products to existing customers, particularly in the industrial lasers market. As of August 29, 2008, Finisar was no longer classified as a related party. For the three months ended September 25, 2009, revenue from the sale of products to Finisar was no longer recorded as revenues, related parties, due to a change in the composition of Finisar's board of directors.

Cost of revenues. Our cost of revenues decreased by \$36.4 million, or 29.7%, to \$86.1 million, or 88.7% of total revenues, for the three months ended September 25, 2009, as compared to \$122.5 million, or 84.0% of total revenues, for the three months ended September 26, 2008. The decrease in absolute dollars was primarily due to the recent global economic slowdown and resulting decrease in customer demand. Additionally, cost of revenues for the three months ended September 26, 2008 was reduced by a one-time gain of \$3.1 million, as compared to the three months ended September 25, 2009. These gains were generated primarily from the recovery of the costs of obsolete inventory from customers. For the three months ended September 25, 2009, cost of revenues also included \$1.0 million of obsolete inventory costs recovered from a customer. Cost of revenues also included share-based compensation expense of \$0.1 million for the three months ended September 25, 2009, as compared to \$0.1 million for the three months ended September 26, 2008.

Gross profit. Our gross profit decreased by \$12.4 million, or 53.0%, to \$11.0 million, or 11.3% of total revenues, for the three months ended September 25, 2009, as compared to \$23.3 million, or 16.0% of total revenues, for the three months ended September 26, 2008.

SG&A expenses. Our SG&A expenses decreased by \$5.8 million, or 60.5%, to \$3.8 million, or 3.9% of total revenues, for the three months ended September 25, 2009, as compared to \$9.6 million, or 6.6% of total revenues, for the three months ended September 26, 2008. Our SG&A expenses decreased in absolute dollars during the three months ended September 25, 2009 as compared to the three months ended September 26, 2008 due primarily to the recognition, during the three months ended September 26, 2008, of accrued legal, accounting, printing and consulting expenses of \$4.0 million incurred in connection with our prior efforts to sell our ordinary shares in an initial public offering during calendar years 2007 and 2008. Our SG&A expenses also decreased in absolute dollars during the three months ended September 25, 2009, as compared to the three months ended September 26, 2008, by \$1.8 million due to the reduction in salary and benefits expenses, primarily as a result of the restructuring efforts we undertook in March 2009 to reduce our global headcount in response to the recent global economic slowdown and the termination of our Employee Profit Sharing Plan during the three months ended March 27, 2009. We also recorded stock-based compensation charges of \$0.1 million for the three months ended September 25, 2009, as compared to \$0.1 million for the three months ended September 26, 2008.

Operating income. Our operating income decreased by \$6.5 million to \$7.2 million, or 7.4% of total revenues, for the three months ended September 25, 2009, as compared to \$13.7 million, or 9.4% of total revenues, for the three months ended September 26, 2008.

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Interest income. Our interest income decreased by \$0.2 million to \$0.1 million, for the three months ended September 25, 2009, as compared to \$0.3 million for the three months ended September 26, 2008. The decrease was due to decreases in interest rates, partially offset by increased cash and cash equivalents on our balance sheet during the three months ended September 25, 2009, as compared to the three months ended September 26, 2008.

Interest expense. Our interest expense decreased by \$0.2 million to \$0.2 million for the three months ended September 25, 2009, as compared to \$0.4 million for the three months ended September 26, 2008. The decrease was due to decreases in our long-term loan interest rate obligations and the repayment of \$2.1 million of our long-term loans.

Income before income taxes. We recorded income before income tax expenses of \$7.0 million for the three months ended September 25, 2009, as compared to \$13.9 million for the three months ended September 26, 2008.

Provision for income tax. Our provision for income tax included \$0.1 million as a result of a tax audit adjustment from the State of New Jersey for the tax years ended April 2006, April 2007, April 2008 and June 2008 (due to a change in our tax year) and provisions for uncertain tax positions of \$0.1 million for the three months ended September 25, 2009 as compared to \$0.1 million for the three months ended September 26, 2008.

Net income. Our net income decreased to \$6.2 million, or 6.3% of total revenues, for the three months ended September 25, 2009, as compared to \$12.2 million, or 8.4% of total revenues, for the three months ended September 26, 2008, a decrease of \$6.0 million, or 49.3%. No income from production wind-down and transfer agreements was included in net income for the three months ended September 25, 2009, as compared to \$0.7 million of income from production wind-down and transfer agreements, or 0.5% of total revenues, included in net income for the three months ended September 26, 2008. Net income for the three months ended September 25, 2008 included \$4.0 million incurred in connection with our prior efforts to sell our ordinary shares in an initial public offering during calendar years 2007 and 2008.

Comparison of Year Ended June 26, 2009 to Year Ended June 27, 2008

Total revenues. Our total revenues decreased by \$70.0 million, or 13.7%, to \$441.1 million for fiscal 2009, as compared to \$511.1 million for fiscal 2008. Revenue from optical communications represented 88.7% of our total revenues for fiscal 2009, as compared to 94.7% for fiscal 2008. The decrease in our total revenues was primarily due to a decrease of \$84.2 million associated with the recent global economic slowdown and, to a lesser extent, a decrease in income from production wind-down and transfer agreements from \$2.7 million for fiscal 2008 to \$1.4 million for fiscal 2009. These decreases were partially offset by an increase of \$15.5 million from the sale of new products to existing customers, particularly in the industrial lasers and sensors markets.

Cost of revenues. Our cost of revenues decreased by \$59.7 million, or 13.5%, to \$383.1 million, or 86.8% of total revenues, for fiscal 2009, as compared to \$442.8 million, or 86.6% of total revenues, for fiscal 2008. The decrease in absolute dollars was primarily due to a decrease in customer demand. The decreases were partially offset by a \$0.7 million increase in depreciation cost attributable to our Pinehurst Building 5, which was put into operation in May 2008. Cost of revenues also included share-based compensation expense of \$0.4 million for fiscal 2009, as compared to \$0.6 million for fiscal 2008.

Gross profit. Our gross profit decreased by \$10.3 million, or 15.0%, to \$58.0 million, or 13.2% of total revenues, for fiscal 2009, as compared to \$68.3 million, or 13.4% of total revenues, for fiscal 2008.

SG&A expenses. Our SG&A expenses increased by \$0.3 million, or 1.4%, to \$22.0 million, or 5.0% of total revenues, for fiscal 2009, as compared to \$21.7 million, or 4.3% of total revenues, for fiscal 2008. Our SG&A increased as a percentage of revenues primarily due to the reduction in total revenues and declines in demand from our customers as a result of the recent global economic slowdown. The increased SG&A expenses in

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absolute dollars were primarily due to the recognition of accrued legal, accounting, printing and consulting expenses of \$4.0 million incurred in connection with our prior efforts to sell our ordinary shares in a proposed initial public offering during calendar years 2007 and 2008, partially offset by a reduction of \$0.4 million in employment costs resulting from general attrition and our restructuring activities in March 2009 undertaken in response to the recent global economic slowdown and a decrease in stock-based compensation charges of \$0.2 million.

Operating income. Our operating income decreased by \$12.9 million to \$33.7 million, or 7.6% of total revenues, for fiscal 2009, as compared to \$46.6 million, or 9.1% of total revenues, for fiscal 2008.

Interest income. Our interest income decreased by \$0.6 million to \$0.8 million, or 0.2% of total revenues, for fiscal 2009, as compared to \$1.4 million, or 0.3% of total revenues, for fiscal 2008. The decrease was due to decreases in interest rates, partially offset by increased cash and cash equivalents on our balance sheet during fiscal 2009, as compared to fiscal 2008.

Interest expense. Our interest expense decreased by \$0.2 million, or 18.2%, to \$1.3 million for fiscal 2009, as compared to \$1.5 million for fiscal 2008. The decrease was due to decreases in our long-term loan interest rate obligations and the repayment of \$6.3 million of our long-term loans.

Income before income taxes. We recorded income before income tax expenses of \$33.5 million for fiscal 2009, as compared to \$45.8 million for fiscal 2008.

Provision for income tax. Our provision for income tax reflects an effective tax rate of 6.7% for fiscal 2009, as compared to an effective tax rate of 8.7% for fiscal 2008.

Net income. Our net income decreased to \$31.3 million, or 7.1% of total revenues, for fiscal 2009, as compared to \$41.8 million, or 8.2% of total revenues, for fiscal 2008, a decrease of 25.2%. Net income included income from production wind-down and transfer agreements of \$1.4 million, or 0.3% of total revenues, for fiscal 2009, as compared to \$2.7 million, or 0.5% of total revenues, for fiscal June 27, 2008. Net income for fiscal 2009 included \$4.0 million incurred in connection with our prior efforts to sell our ordinary shares in an initial public offering during calendar years 2007 and 2008 and \$2.4 million incurred in connection with the restructuring effort we undertook in March 2009.

Comparison of Year Ended June 27, 2008 to Year Ended June 29, 2007

Total revenues. Our total revenues increased by \$15.0 million, or 3.0%, to \$511.1 million for fiscal 2008, as compared to \$496.1 million for fiscal 2007. Revenue from optical communications represented 94.7% of our total revenues for fiscal 2008, as compared to 93.8% for fiscal 2007. The increase in our total revenues was primarily due to an increase of \$17.5 million in production volumes on existing products and an increase of \$4.9 million from the scaling of production of new products for our existing customers and, to a lesser extent, revenues from new customers. These increases were partially offset by a decrease in income from production wind-down and transfer agreements, from \$9.1 million for fiscal 2007 to \$2.7 million for fiscal 2008 and a \$1.1 million decline in revenues associated with products approaching their end-of-life.

Cost of revenues. Our cost of revenues increased by \$18.9 million, or 4.5%, to \$442.8 million, or 86.6% of total revenues, for fiscal 2008, as compared to \$423.9 million, or 85.4% of total revenues, for fiscal 2007. The increase was primarily due to a \$4.0 million increase associated with purchases of materials, number of employees and related overhead resulting from increased volumes of products manufactured for our customers and depreciation costs for Pinehurst Building 5. The increases were partially offset by a favorable product mix shift to more advanced 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 Pinehurst Building 4, in fiscal 2008 relative to fiscal 2007. Cost of revenues also included share-based compensation expense of \$0.6 million for fiscal 2008, as compared to approximately \$0.4 million for fiscal 2007.

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Gross profit. Our gross profit decreased by \$4.0 million, or 5.5%, to \$68.3 million, or 13.4% of total revenues, for fiscal 2008, as compared to \$72.3 million, or 14.6% of total revenues, for fiscal 2007.

SG&A expenses. Our SG&A expenses increased by \$3.7 million, or 20.6%, to \$21.7 million, or 4.3% of total revenues, for fiscal 2008, as compared to \$18.0 million, or 3.7% of total revenues, for fiscal 2007. 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, growing customer base and prior efforts to sell our ordinary shares in a proposed initial public offering, and payments made under our Employee Profit Sharing Plan. SG&A expenses also included share-based compensation expense of \$0.6 million for fiscal 2008, as compared to approximately \$0.4 million for fiscal 2007.

Operating income. Our operating income decreased by \$7.6 million to \$46.6 million, or 9.1% of total revenues, for fiscal 2008, as compared to \$54.2 million, or 10.9% of total revenues, for fiscal 2007.

Interest income. Our interest income was \$1.4 million for each of the years ended June 27, 2008 and June 29, 2007.

Interest expense. Our interest expense decreased by \$1.3 million, or 46%, to \$1.5 million for fiscal 2008, as compared to \$2.8 million for fiscal 2007. This decrease was due to our repayment of certain outstanding loan obligations and reductions in the floating interest rates charged on our long term loan obligations.

Income before income taxes. We recorded income before income tax expenses of \$45.8 million for fiscal 2008, as compared to \$52.4 million for fiscal 2007.

Provision for income tax. Our provision for income tax reflects an effective tax rate of 8.7% for fiscal 2008, as compared to an effective tax rate of 5.2% for fiscal 2007.

Net income. Our net income decreased to \$41.8 million, or 8.2% of total revenues, for fiscal 2008, as compared to \$49.7 million, or 10.0% of total revenues, for fiscal 2007, a decrease of 15.9%. Net income included \$9.1 million in income from production wind-down and transfer agreements for fiscal 2007, as compared to \$2.7 million for fiscal 2008, and \$0.8 million from the after tax impact of share-based compensation expense for fiscal 2007, as compared to \$1.1 million for fiscal 2008.

Selected Quarterly Results of Operations

The following table presents our unaudited consolidated selected quarterly results of operations for each of the eight quarters ended September 25, 2009. 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.⁽¹⁾ 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.

	Three Months Ended							
	Sep 25, 2009	Jun 26, 2009	Mar 27, 2009	Dec 26, 2008	Sep 26, 2008	Jun 27, 2008	Mar 28, 2008	Dec 28, 2007
	(unaudited, in thousands)							
Revenues:								
Revenues	\$ 84,244	\$ 67,313	\$ 65,553	\$ 98,973	\$ 106,007	\$ 106,909	\$ 80,086	\$ 79,575
Revenues, related parties	12,774	15,087	19,281	28,352	39,175	37,673	43,278	43,321
Other	—	—	—	679	679	678	679	679
Total revenues	97,018	82,400	84,834	128,004	145,861	145,260	124,043	123,575
Cost of revenues	(86,058)	(74,049)	(75,299)	(111,173)	(122,537)	(125,882)	(108,204)	(106,238)
Gross profit	10,960	8,351	9,535	16,831	23,324	19,378	15,839	17,337
Selling, general and administrative expenses	(3,809)	(3,336)	(3,992)	(4,988)	(9,644)	(5,523)	(5,446)	(5,789)
Restructuring charges	—	—	(2,389)	—	—	—	—	—
Operating income	7,151	5,015	3,154	11,843	13,680	13,855	10,393	11,548
Interest income	111	134	165	149	308	237	390	358
Interest expense	(161)	(220)	(288)	(374)	(384)	(218)	(288)	(375)
Foreign exchange (loss) gain, net	(60)	(289)	(16)	419	246	(548)	127	64
Income before income taxes	7,041	4,640	3,015	12,037	13,850	13,326	10,622	11,595
Income tax (expense) benefit	(855)	(703)	385	(282)	(1,638)	(398)	(1,907)	(888)
Net income	<u>\$ 6,186</u>	<u>\$ 3,937</u>	<u>\$ 3,400</u>	<u>\$ 11,755</u>	<u>\$ 12,212</u>	<u>\$ 12,928</u>	<u>\$ 8,715</u>	<u>\$ 10,707</u>

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

	Three Months Ended							
	Sep 25, 2009	Jun 26, 2009	Mar 27, 2009	Dec 26, 2008	Sep 26, 2008	Jun 27, 2008	Mar 28, 2008	Dec 28, 2007
	(unaudited)							
Revenues:								
Revenues	86.8%	81.7%	77.3%	77.3%	72.7%	73.6%	64.6%	64.4%
Revenues, related parties	13.2	18.3	22.7	22.2	26.8	25.9	34.9	35.1
Other	—	—	—	0.5	0.5	0.5	0.5	0.5
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues	(88.7)	(89.9)	(88.8)	(86.9)	(84.0)	(86.7)	(87.2)	(86.0)
Gross profit	11.3	10.1	11.2	13.1	16.0	13.3	12.8	14.0
Selling, general and administrative expenses	(3.9)	(4.0)	(4.7)	(3.8)	(6.6)	(3.8)	(4.4)	(4.7)
Restructuring charges	—	—	(2.8)	—	—	—	—	—
Operating income	7.4	6.1	3.7	9.3	9.4	9.5	8.4	9.3
Interest income	0.1	0.2	0.2	0.1	0.2	0.2	0.3	0.3
Interest expense	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)
Foreign exchange (loss) gain, net	(0.1)	(0.4)	(0.1)	0.3	0.2	(0.4)	0.1	0.1
Income before income taxes	7.2	5.6	3.5	9.4	9.5	9.1	8.6	9.4
Income tax (expense) benefit	(0.9)	(0.9)	0.5	(0.2)	(1.1)	(0.3)	(1.5)	(0.7)
Net income	<u>6.3%</u>	<u>4.7%</u>	<u>4.0%</u>	<u>9.2%</u>	<u>8.4%</u>	<u>8.8%</u>	<u>7.1%</u>	<u>8.7%</u>

(1) We adopted FASB ASC 718 and ASC 740 during fiscal 2007 and fiscal 2008, respectively.

Total Revenues

Our total revenues increased for each consecutive fiscal quarter beginning with the three months ended December 28, 2007 through the three months ended September 26, 2008, culminating in the highest revenue quarter in our history at \$145.9 million, primarily due to increased customer demand. Thereafter, revenues declined through the three months ended June 26, 2009, as a result of the recent global economic slowdown and a corresponding decline in customer demand. For the three months ended September 25, 2009, our total revenues began to show a rebound on renewed customer demand and our diversification into new products.

Gross Profit

Our gross profit margin was stable for the three months ended December 28, 2007 through the three months ended June 27, 2008, ranging from 12.8% to 14.0%. We reported a gross profit margin of 16.0% in the three months ended September 26, 2008 prior to the economic downturn. For the three months ended December 26, 2008, our gross profit margin declined primarily due to the recent global economic slowdown and the resulting decrease in customer demand, which led to higher overhead costs as a percentage of revenues. As a result of efforts to align expenses with prevailing economic conditions, our gross profit margin increased during the three months ended September 25, 2009 to 11.3%, as compared to 10.1% for the three months ended June 26, 2009.

SG&A Expenses

Our SG&A expenses as a percentage of total revenues ranged from 3.8% to 4.7% prior to the three months ended September 26, 2008. SG&A expenses as a percentage of total revenues increased during the three months ended September 26, 2008 as we expanded our senior staff to address new market opportunities and incurred \$4.0 million in expenses related to our previous effort to offer our ordinary shares in a proposed initial public offering during fiscal year 2008. As a result of our restructuring efforts implemented during the three months ended March 27, 2009, SG&A expenses have declined as a percentage of revenues during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010, as they were brought in line with current market conditions.

Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have primarily financed our operations through the sale of ordinary shares to investors in March 2000, cash flow from operations and commercial loans. As of September 25, 2009, we had approximately \$92.9 million in cash and cash equivalents and approximately \$25.2 million of outstanding debt. As of June 26, 2009, we had approximately \$114.8 million in cash and cash equivalents and approximately \$27.3 million of outstanding debt. The decline in our cash and cash equivalents was primarily due to a dividend payment of \$30.8 million to our shareholders in the three months ended September 25, 2009.

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 2009, the weighted average interest rate on our cash and cash equivalents was 1.31%.

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The following table shows our net cash provided by operating activities, net cash used in investing activities and net cash provided by (used in) financing activities for the periods indicated:

	Three Months Ended		Year Ended		
	September 25, 2009 (unaudited)	September 26, 2008	June 26, 2009 (in thousands)	June 27, 2008	June 29, 2007
Net cash provided by operating activities	\$ 11,560	\$ 10,356	\$ 80,357	\$ 51,891	\$ 26,244
Net cash used in investing activities	(978)	(2,023)	(7,187)	(29,815)	(12,380)
Net cash (used in) provided by financing activities	(32,585)	2,156	(13,836)	(8,223)	(13,133)
Net (decrease) increase in cash and cash equivalents	(22,003)	10,489	59,334	13,853	731
Cash and cash equivalents, beginning of period	114,845	55,682	55,682	40,873	40,063
Cash and cash equivalents, end of period	92,903	66,129	114,845	55,682	40,873

Cash Flows for the Three Months Ended September 25, 2009 and September 25, 2008

Net cash provided by operating activities increased by \$1.2 million, or 11.6%, to \$11.6 million for the three months ended September 25, 2009, as compared to \$10.4 million for three months ended September 26, 2008. Cash provided by operating activities for the three months ended September 25, 2009 primarily consisted of net income adjusted for depreciation, amortization and non-cash related items. The improvement in net cash from operations for the three months ended September 25, 2009 was primarily due to an increase in accounts payable, partially offset by an increase in accounts receivable and inventories to address increasing customer demand.

Net cash used in investing activities decreased by \$1.0 million to \$1.0 million for the three months ended September 25, 2009, as compared to \$2.0 million for the three months ended September 26, 2008. The decrease in net cash used in investing activities was primarily related to a reduction in new equipment purchases.

Net cash used in financing activities increased by \$34.7 million to \$32.6 million for the three months ended September 25, 2009, as compared to net cash provided by financing activities of \$2.2 million for the three months ended September 26, 2008. This increase in net cash used in financing activities was primarily due to a dividend payment of \$30.8 million to shareholders in the three months ended September 25, 2009.

Cash Flows for the Years Ended June 26, 2009 and June 27, 2008

Net cash provided by operating activities was \$80.4 million for fiscal 2009, as compared to \$51.9 million for fiscal 2008. The increase in net cash provided by operating activities was primarily due to reductions in our accounts receivable and inventory outstanding resulting from reduced customer demand. These increases were partially offset by reductions in accounts payable.

Net cash used in investing activities was \$7.2 million for fiscal 2009, as compared to \$29.8 million for fiscal 2008. Our net cash used in investing activities for fiscal 2009 was primarily attributable to \$2.3 million in capital expenditures related to equipment and \$2.4 million in construction costs for Pinehurst Building 5. Our net cash used in investing activities for fiscal 2008 was primarily attributable to \$8.4 million in capital expenditures related to equipment and \$20.8 million in construction costs for Pinehurst Building 5.

Net cash used in financing activities was \$13.8 million for fiscal 2009, as compared to \$8.2 million for fiscal 2008. Our net cash used in financing activities for fiscal 2009 was primarily the result of a dividend payment of \$10.1 million and repayments of long-term debt and installment payments for production wind-down and transfer agreements and acquisitions, offset in part by borrowings under our long-term bank loans. Our net cash used in financing activities for fiscal 2008 was primarily the result of repayment of short-term loans of \$22.0 million and repayments of long-term debt and installment payments for production wind-down and transfer agreements and acquisitions, offset by borrowings under our long-term bank loans of \$20.0 million.

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We believe that our current cash and cash equivalents, short-term investments, cash flow from operations and the net 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. Our cash flows from operations have generally been sufficient to internally fund our working capital requirements in recent years. Additionally, we have access to short-term credit facilities of approximately \$50 million to support any unanticipated liquidity requirements. Historically, our internally generated working capital and short-term credit facilities have been adequate to support our liquidity requirements.

We completed the construction of Pinehurst Building 5 in Thailand in May 2008. With the addition of Building 5, we believe that we will have sufficient manufacturing capacity in place for the next 18 months. We have three long-term loans that will come due within the next 15 months and anticipate that our internally generated working capital will be adequate to repay these obligations.

If our sources of liquidity 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 certain of our contractual obligations as of June 26, 2009:

	Total	Fiscal Year Ending June,					2015 and Beyond
		2010	2011	2012	2013	2014	
				(in thousands)			
Long-term debt obligations	\$ 27,318	\$ 7,933	\$ 6,008	\$ 4,298	\$ 3,668	\$ 3,668	\$ 1,743
Interest expense obligation ⁽¹⁾	1,462	562	384	254	166	84	12
Operating lease obligations	7,016	1,729	1,457	1,444	1,444	942	—
Total	<u>\$ 35,796</u>	<u>\$ 10,224</u>	<u>\$ 7,849</u>	<u>\$ 5,996</u>	<u>\$ 5,278</u>	<u>\$ 4,694</u>	<u>\$ 1,755</u>

(1) Interest expense obligation reflects the variable interest rates on long-term debt obligations using interest rates as of June 26, 2009. The interest rates ranged between 2.2% and 4.2%. For further discussion of long-term debt obligations, see Note 11 of our audited consolidated financial statements.

As of June 26, 2009, our long-term debt obligations consisted of five loan agreements and our aggregate outstanding borrowings under these agreements were approximately \$27.3 million. Certain of the obligations are secured by certain property, plant and equipment. Certain of the long term loans prescribe maximum ratios of debt to equity, and minimum levels of debt service coverage ratios. In addition to these financial ratios, our long-term debt obligations generally include customary events of default.

As of June 26, 2009, we were in compliance with our long-term loan agreements.

We have entered into short-term lending arrangements that are unused but available as needed. As of June 26, 2009, unused borrowing capacity available under both short-term and long-term debt obligations totaled \$50.9 million.

As of June 26, 2009, we also had certain operating lease arrangements where the lease payments are calculated based on specified formulas. Our rental expenses under these leases were \$1.7 million, \$1.7 million and \$1.5 million for fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

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 26, 2009 may differ from the amounts indicated below.

	<u>Three Months Ended</u> September 25, 2009	<u>June 26,</u> 2009	<u>Year Ended</u> June 27, 2008	<u>June 29,</u> 2007
Capital expenditures	\$ 352	\$4,871	\$29,115	\$15,569

Our capital expenditures for fiscal 2009 principally consisted of investments in equipment in our manufacturing facilities. During the remainder of fiscal 2010 and fiscal 2011, we expect to purchase additional equipment for our manufacturing facilities. We also intend to upgrade our IT systems, our enterprise resource planning systems, software and hardware, and our other infrastructure. In addition to capital expenditures, we have certain 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 \$92.9 million as of September 25, 2009, and \$114.8 million, \$55.7 million and \$40.9 million as of June 26, 2009, June 27, 2008 and June 29, 2007, respectively. 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 had declined by 100 basis points during the three months ended September 25, 2009 and the year ended June 26, 2009, our interest income would have decreased by approximately \$0.2 million and \$0.6 million, respectively, 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 had increased by 100 basis points during the three months ended September 25, 2009 and the year ended June 26, 2009, our interest expense would have increased by approximately \$0.1 million and \$0.3 million, respectively, 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

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Thailand and the PRC. Therefore, a substantial portion of our payroll as well as certain other operating expenses are paid in Thai baht or RMB. The significant majority of our revenues are denominated 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 profit 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 sheets, 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 three months in duration, leaving us exposed to longer term changes in exchange rates. We realized foreign currency gains of \$0.4 million during fiscal 2009. 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 as of September 25, 2009 and June 26, 2009 would have had a material 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, operating results or cash flows.

Credit Risk

Credit risk refers to our exposures to financial institutions, suppliers and customers that have in the past and may in the future experience financial difficulty, particularly in light of recent conditions in the credit markets and the global economy. As of September 25, 2009, our cash and cash equivalents were held in financial instruments of a small number of banks and other financial institutions having credit ratings of A minus or above as determined by Fitch Ratings. We generally monitor the financial performance of our suppliers and customers, as well as other factors that may affect their access to capital and liquidity. Presently, we believe that we will not incur material losses due to our exposures to such credit risk.

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2009-14, *Software (Topic 985)—Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force)*. This guidance amends FASB ASC Subtopic 985-605, *Software—Revenue Recognition ("ASC 985-605")*, such that tangible products containing both software and non-software components that function together to deliver the tangible product's essential functionality, are no longer within the scope of ASC 985-605. It also amends the determination of how arrangement consideration should be allocated to deliverables in a multiple-deliverable revenue arrangement. This guidance will become effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Earlier adoption is permitted. We will adopt this guidance in fiscal 2011 and are currently evaluating the impact it will have on our consolidated financial statements.

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, *Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements (a consensus of the FASB Emerging Issues Task Force)*, which amends FASB ASC Subtopic 605-25, *Revenue Recognition: Multiple-Element Arrangements*. This guidance addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to allocate consideration to each unit of accounting in the arrangement. This guidance replaces all references to fair value as the measurement criteria with the term selling price and

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establishes a hierarchy for determining the selling price of a deliverable. This guidance also eliminates the use of the residual value method for determining the allocation of arrangement consideration. Additionally, this guidance requires expanded disclosures. This guidance will become effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Earlier adoption is permitted. We will adopt this guidance in fiscal 2011 and are currently evaluating the impact it will have on our consolidated financial statements.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820)—Measuring Liabilities at Fair Value*. This guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value of such liability using one or more of the techniques prescribed by the update. We will adopt this guidance in the second quarter of fiscal 2010 and are currently evaluating the impact it will have on our consolidated financial statements.

In June 2009, the FASB issued Accounting Standards Update No. 2009-01, *Generally Accepted Accounting Principles (Topic 105) (formerly Statement of Financial Accounting Standard No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles)*, which identifies the FASB Accounting Standards Codification (“Codification”) as the source of authoritative U.S. GAAP recognized by the FASB to be applied to nongovernmental entities and rules and interpretive releases of the SEC as authoritative U.S. GAAP for SEC registrants. The Codification does not change current U.S. GAAP, but is intended to simplify access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The update was effective for us beginning in the first quarter of fiscal 2010 and did not have an impact on our consolidated financial statements.

In June 2009, the FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (“SFAS 167”). SFAS 167 amends the evaluation criteria to identify the primary beneficiary of a variable interest entity provided by FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities—An Interpretation of ARB No. 51*. Additionally, SFAS 167 requires ongoing reassessments of whether an enterprise is the primary beneficiary of the variable interest entity. SFAS 167 is effective for fiscal years beginning after November 15, 2009 and is currently not included in the Codification. We will adopt SFAS 167 in fiscal 2011 and are currently evaluating the impact SFAS 167 will have on our consolidated financial statements.

In June 2009, the FASB issued Statement No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (“SFAS 166”). SFAS 166 eliminates the concept of a “qualifying special-purpose entity” from Statement 140 and changes the requirements for derecognizing financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009 and is currently not included in the Codification. We will adopt SFAS 166 in fiscal 2011 and are currently evaluating the impact SFAS 166 will have on our consolidated financial statements.

In December 2007, the FASB issued FASB ASC Topic 805, *Business Combinations*. This guidance introduces significant changes in the accounting and reporting for business combinations and continues the movement toward the greater use of fair values in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements at the acquisition date and in subsequent periods. Further, certain of the changes will introduce more volatility into earnings and thus may impact a company’s acquisition strategy. In April 2009, the FASB issued FASB Staff Position (“FSP”) No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, codified in FASB ASC Topic 805. This guidance addresses application issues raised about the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008 and will impact acquisitions made on or after the beginning of the first annual

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reporting period beginning on or after December 15, 2008. This guidance was effective for us beginning in the first quarter of fiscal 2010 and did not have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*, codified in FASB ASC Topic 275, *Risks and Uncertainties* and FASB ASC Topic 350, *Intangibles-Goodwill and Other*. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB ASC Topic 350. This guidance is intended to improve the consistency between the useful life of an intangible asset determined under FASB ASC Topic 350 and the period of expected cash flows used to measure the fair value of the asset under FASB ASC Topic 805 and other U.S. generally accepted accounting principles. FASB ASC Topic 275 and FASB ASC Topic 350 are effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. FASB ASC Topic 275 and FASB ASC Topic 350 were effective for us beginning in the first quarter of fiscal 2010 and did not have a material impact on our consolidated financial statements.

BUSINESS

Overview

We provide precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers (OEMs) of complex products such as optical communication components, modules and sub-systems. We offer a broad range of advanced optical capabilities across the entire manufacturing process, including process engineering, design for manufacturability, supply chain management, manufacturing, final assembly and test. We focus primarily on low-volume production of a wide variety of products, which we refer to as “low-volume, high-mix”. We believe we are a global leader in providing these services to the optical communications market. We have also expanded our customer base to include companies in other similarly complex industries that require advanced precision manufacturing capabilities, such as industrial lasers and sensors. Our customers in these industries support a growing number of end-markets, including semiconductor processing, biotechnology, metrology, material processing, auto safety and medical devices.

Our customers include six of the ten largest optical communications components companies worldwide in terms of revenue for the twelve months ended June 30, 2009, according to Ovum-RHK, a market research firm. Our diverse customer base includes Coherent, Inc., EMCORE Corporation, Finisar Corporation, Infinera Corporation, JDS Uniphase Corporation, Newport Corporation, Oclaro, Inc., and Opnext, Inc. In many cases, we are the sole outsourced manufacturing partner used by our customers for the products that we produce for them.

The products that we manufacture for our OEM customers include:

- selective switching products, such as reconfigurable optical add-drop modules (ROADMs), and optical amplifiers that collectively enable network managers to route signals through fiber traffic at various wavelengths and over various distances;
- tunable transponders and transceivers that eliminate, at a significant cost savings, the need to stock individual fixed wavelength transponders and transceivers used in voice and data communications networks;
- active optical cables providing high-speed interconnect capabilities for data centers and computing clusters, as well as Infiniband, Ethernet, fiber channel and optical backplane connectivity;
- solid state, diode-pumped and gas lasers (collectively referred to as “industrial lasers”) used across a broad array of industries, including semiconductor processing (wafer inspection, wafer dicing, wafer scribing), biotechnology (DNA sequencing, flow cytometry, hematology, antibody detection), metrology (instrumentation, calibration, inspection), and material processing (photo processing, textile cutting, annealing, marking, engraving); and
- sensors, including anesthesia gas monitors that are used in medical equipment, differential pressure sensors and stabilization sensors that are used in automobiles for emission control and vehicle stability, and measurement and positioning sensors that are used in laser meters and level meters for the construction and surveying industries.

We also design and fabricate application-specific crystals, prisms, mirrors, laser components and substrates (collectively referred to as “customized optics”) and other custom and standard borosilicate, clear fused quartz, and synthetic fused silica glass products (collectively referred to as “customized glass”). We incorporate our customized optics and glass into many of the products we manufacture for our OEM customers, and we also sell customized optics and glass in the merchant market.

We believe we offer differentiated manufacturing services through our optical and electro-mechanical process technologies and our strategic alignment with our customers. Our dedicated process and design engineers, who have a deep knowledge in materials sciences and physics, are able to tailor our service offerings to accommodate our customers’ most complex engineering assignments. Our range of capabilities, from the design of customized optics and glass through process engineering and testing of finished assemblies, provides us with a knowledge base that we believe often leads to improvements in our customers’ product

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development cycles, manufacturing cycle times, quality and reliability, manufacturing yields and end product costs. We offer an efficient, technologically advanced and flexible manufacturing infrastructure designed to enable the scale production of low-volume, high-mix products, as well as high-volume products. We often provide a “factory-within-a-factory” manufacturing environment to protect our customers’ intellectual property by segregating certain key employees and manufacturing space from the resources we use for other customers. We also provide our customers with a customized software platform to monitor all aspects of the manufacturing process, enabling our customers to remotely access our databases to monitor yields, inventory positions, work-in-progress status and vendor quality data. We believe there is no other manufacturing services provider with a similar breadth and depth of optical and electro-mechanical engineering and process technology capabilities that does not directly compete with its customers in their end-markets. As a result, we believe we are more closely aligned and better able to develop long-term relationships with our customers than our competitors.

We have been consistently profitable since our inception, achieving 39 consecutive quarters of profitable operations. Over our last five fiscal years, despite the 13.7% decline in our revenues from fiscal 2008 to fiscal 2009, our total revenues increased from \$202.0 million in fiscal 2005 to \$441.1 million in fiscal 2009, representing a compound annual growth rate of 21.6%. Our gross profit margin increased from 5.6% in fiscal 2005 to 13.2% in fiscal 2009, while our operating income as a percentage of revenues increased from 2.4% in fiscal 2005 to 7.6% in fiscal 2009.

As of September 25, 2009, our facilities comprised approximately 1,100,000 total square feet, including approximately 168,000 square feet of office space and approximately 932,000 square feet devoted to manufacturing and related activities, of which approximately 290,000 square feet were clean room facilities. Of the aggregate square footage of our facilities, approximately 832,000 square feet are located in Thailand and the balance is located in the PRC and the U.S.

Industry Background

Optical Communications

Since 2001, most optical communications OEMs have reduced manufacturing capacity and transitioned to a low-cost and more efficient manufacturing base. By outsourcing production to third parties, these vendors are better able to concentrate on what they believe are their core strengths, such as research and development, and sales and marketing. Outsourcing production often allows these vendors to reduce product costs, achieve accelerated time-to-market and time-to-volume production and access advanced process design and manufacturing technologies. The principal barrier to the trend towards outsourcing in the optics industry has been the shortage of third-party manufacturing partners with the necessary optical process capabilities and robust intellectual property protection.

Demand for optical communications components and modules is influenced by the level and rate of development of optical communications infrastructure and carrier and enterprise network expansion. According to Ovum-RHK, annual sales for the global optical communications components and modules market are expected to increase from approximately \$2.9 billion in 2009 to approximately \$5.2 billion in 2014, representing a compound annual growth rate of 12.7%. The increase in carrier demand for optical communications network equipment is a direct result of higher network utilization and increased demand for bandwidth capacity. The increases in network traffic volumes have been driven by increasing demand for voice, data and video delivered over internet protocol, or IP, networks.

Industrial Lasers and Sensors

The optical and electro-mechanical process technologies used in the optical communications market also have applications in other similarly complex end-markets such as industrial lasers and sensors that require advanced precision manufacturing capabilities. These markets are substantially larger than the optical communications components market. For example, according to the Optoelectronics Industry Development

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Association, the diode and non-diode lasers market is expected to increase from approximately \$8.3 billion in 2009 to approximately \$10.3 billion in 2013, representing a compound annual growth rate of over 5.5%. Moreover, according to Frost & Sullivan, a business research and consulting firm, the total sensors market is expected to increase from approximately \$44.1 billion in 2008 to approximately \$69.2 billion in 2013, representing a compound annual growth rate of 11.9%. This growth in the industrial lasers and sensors markets is expected to be driven by demand for:

- industrial laser applications across a growing number of end-markets, particularly in semiconductor processing, biotechnology, metrology and material processing;
- precision, non-contact and low power requirement sensors, particularly in auto safety, medical and industrial end-markets; and
- lower cost products used on both enterprise and consumer levels.

Our Competitive Strengths

We believe we have succeeded in providing differentiated services to the optical communications, industrial lasers and sensors industries due to our long-term focus on optical and electro-mechanical process technologies, strategic alignment with our customers and our commitment to total customer satisfaction. More specifically, our key competitive strengths include:

- ***Advanced Optical and Electro-Mechanical Manufacturing Technologies:*** We have assembled an engineering team with over 500 employees as of September 25, 2009, many of whom have advanced degrees in areas such as materials science, physics, mechanical engineering and industrial engineering. We use specialized manufacturing techniques and process technologies, requiring substantial time and resources to master. We believe that our optical and electro-mechanical process technologies and capabilities, coupled with our customized optics and glass technologies, provide us with a key competitive advantage. These technologies include:
 - advanced optical and precision packaging;
 - reliability and environmental testing;
 - optical and mechanical material and process analysis;
 - precision optical fiber and electro-mechanical assembly;
 - fiber metallization and lensing;
 - fiber handling and fiber alignment;
 - crystal growth and processing;
 - glass drawing; and
 - optical coating.
- ***Efficient, Flexible and Low Cost Process Engineering and Manufacturing Platform:*** We enable our customers to transition their production to an efficient and flexible manufacturing platform that is specialized for the production of optics and similarly complex products and is located in a low-cost geography. We believe our advanced manufacturing technologies, coupled with our broad engineering capabilities, give us the ability to identify opportunities to improve our customers' manufacturing processes and provide meaningful production cost benefits. We continuously employ lean manufacturing and sustainable manufacturing principles to reduce waste throughout our processes, as well as statistical analysis and closed-loop failure analysis to reduce defects. Through the use of these

and other processes, we are able to reduce or eliminate non-value added process steps, reduce cycle times, improve production yields and reduce production costs. We have also developed a series of customized software tools that we believe provide us with a specialized ability to manage the unique aspects of low-volume, high-mix production. We use these software tools to accommodate changes to production schedules, accurately control inventory procurement and quickly react to changes in forecasted demand. Our customers use these tools to remotely monitor yields, inventory positions, work-in-progress status and vendor quality data.

- **Customizable Factory-within-a-Factory Production Environment:** We offer our customers exclusive engineering teams and manufacturing space for production. We call this concept of segregating production by customer a “factory-within-a-factory.” We believe our approach enhances intellectual property protection and provides greater opportunities to reduce cost and improve time to market of our customers’ products through:
 - customizable production environments to meet our customers’ varying requirements for clean room specifications, humidity, temperature control and other environmental elements;
 - customizable production lines to meet our customers’ unique equipment and assembly requirements; and
 - scalable capacity to react with greater flexibility to changes in customer demand.

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 many of 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 yield improvements, process optimization, supply chain management and other benefits of an engineering and manufacturing partner offering a single point of contact for total outsourced assembly.

- **Vertical Integration Targeting Customized Optics and Glass:** We believe our capabilities in the design and fabrication of high-value customized optics and glass are complementary to our manufacturing services. Specifically, these capabilities enable us to strategically align our business to our customers’ needs by streamlining our customers’ product development process and reducing the number of suppliers in our customers’ manufacturing supply chains. Also, we use these customized optics and glass products in certain of the components, modules and subsystems we manufacture, which enables us to shorten time to market and reduce the cost for our customers. We believe this level of vertical integration positions us to capitalize on further opportunities to cross-sell our design and fabrication capabilities.
- **Management Team with a Demonstrated Track Record of Financial and Strategic Execution:** We have a seasoned management team with extensive experience across a number of industries relevant to our operations. Under the leadership of our management team, we have achieved 39 consecutive quarters of profitable operations since our founding in 2000 and have developed a significant customer base in the optics industry, particularly with optical communications components OEMs. In addition, we have recently expanded our customer base into other related end-markets such as industrial lasers and sensors that similarly require advanced precision manufacturing capabilities. We have established a strong track record of intellectual property protection and close strategic cooperation with our customers. We have successfully integrated several acquisitions that have strengthened our optical manufacturing process capabilities and expanded our services to include customized optics and glass. In addition, we believe our management’s ability to attract, develop and retain key employees leads to optimized employee performance and job satisfaction. As a result of our ability to implement and execute practices that support our business strategies and develop strong employment relationships, 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

The key elements of our growth strategy are to:

- **Strengthen Our Presence in the Optical Communications Market:** We believe we are a leader in manufacturing products in the optical communications market. The optical communications market is growing rapidly, driven by the growth in demand for network bandwidth. We believe 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 process design and manufacturing technologies. We believe we are well-positioned to capture the growing market for outsourced production of optical communications components based on our breadth of optical process capabilities. Additionally, we continue to invest resources in advanced process technologies to support the manufacture of the next generation of complex optical products.
- **Leverage Our Technology and Manufacturing Capabilities to Continue to Diversify Our End-Markets:** We intend to use our technological strengths in precision optical and electro-mechanical manufacturing to continue our diversification into industrial lasers, sensors and other select markets that require similar capabilities. Our strategy to continue our diversification into other end markets is as follows:
 - Continue Diversification into the Industrial Lasers and Sensor Markets:* We believe our process technologies and cost-effective, high-mix, flexible manufacturing platform enable us to effectively compete in these large and growing end-markets. These markets have similar manufacturing requirements and use similar core technologies to those used in optical communications. We believe that outsourcing in these markets historically has been limited due to the lack of companies like ours with acceptable market-specific technological capabilities to address specialty optics and other complex products.
 - Diversify into Other Markets That Require Precision Electro-Mechanical Manufacturing:* While providing precision manufacturing services for optics end-markets remains our core focus, we also intend to target markets outside the optics industry, such as medical devices, aeronautics and automotive devices, that require precision electro-mechanical process technologies for complex products.
- **Continue to Extend Our Customized Optics and Glass Vertical Integration:** We will continue to extend our vertical integration into customized optics and glass in order to gain greater access to key components used in the complex products we manufacture as well as to continue our diversification into new markets. The market for optics and glass varies from high-volume, low-margin products, such as those for consumer applications, to low-volume, customized optics and glass that command higher margins. We believe our customized optics and glass capabilities are highly complementary to our optical and electro-mechanical manufacturing services, and we intend to continue to market these products to our existing manufacturing services customers. In addition, we intend to continue our focus on customized optics and glass through further investment into research and development, as well as through potential acquisitions in what remains a highly fragmented market.
- **Broaden Our Client Base Geographically:** Our manufacturing services are incorporated into products that are distributed in markets worldwide, but we intend to further build out our client base in strategic regions. In fiscal year 2009, we generated \$271 million of our revenues in North America, while only generating \$151 million in Asia-Pacific and \$19 million in Europe. We intend to focus on expanding our client base in Europe and Asia-Pacific, particularly Japan. We believe these regions have a large

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and robust optics market and would benefit from our precision optical and electromechanical manufacturing services. We intend to leverage our capabilities and track record in optical communications, industrial lasers and sensors to target optics and non-optics related customers in these regions.

Service Offerings

We offer integrated precision optical, electro-mechanical and electronic manufacturing services and customized optics and glass fabrication services for our OEM customers.

Precision optical, electro-mechanical and electronic manufacturing services

Process Engineering and Design for Manufacturability

We analyze our customer's product designs for cost and manufacturability improvements. We perform detailed design for manufacturability studies and design of experiments to assist in optimizing a product's design for the lowest cost possible without compromising the quality specifications of form, fit and function. In the case of a new product design, we may assist in assembling one or more prototype products using the same production line and the same engineering and manufacturing teams that would be used for product qualification and volume production. We often transfer production from a customer's internal prototype or production lines to our own facilities, requiring a copy-exact: the set up of a production process identical to the one used by our customer to minimize the number of variables and expedite qualification.

Qualifications

Production line and environmental qualifications require a variety of process engineering and technical skills, and the use of specialized equipment. Many of the products that we produce for our customers require extensive environmental and reliability qualification involving, in some cases, a three to six months or longer duration prior to volume production. The qualification phase may include a customer's certification of a production line or process and one or a series of qualification tests for mechanical integrity and environmental endurance as specified by an industry standards organization, such as Telcordia for telecommunication equipment. For example, optical modules used in undersea network systems may be required to withstand high and low temperature storage (exposing test units to certain constant temperatures for up to 2,000 hours); temperature cycling (exposing test units to up to 200 cycles of continuous changes in temperature from subzero through 85 degrees celsius); damp heat (exposing test units to a constant level of humidity and temperature for up to 2,000 consecutive hours); thermal and mechanical shocks (sudden environment or physical disruption to the units); and mechanical vibration testing, all of which we are able to administer at our facilities in Thailand.

Certain products may require any number of other qualifications. For example, fiber connections known as fiber pigtailed may be required to pass a fiber pull test, where tension and resistance are applied to the fiber connection to determine if the fiber is able to endure a specified minimum amount of force without breaking. Certain products may, by specification, be required to be delivered in a vacuum sealed, or hermetically sealed, package. These packages may require hermeticity tests, which include residual gas analysis (analysis of the gas inside the package to identify gases, vapor and residual that can cause corrosion) and gross and fine leak tests.

Continuous Improvement and Optimization

Once we have completed the qualification phase and stabilized production yields, we shift our focus to cost and quality optimization. This requires a close working relationship with our customer to optimize processes and identify alternative sources for materials to improve efficiency, yields and cost. Design and process improvements may include reducing the number of parts, simplifying the assembly process, eliminating non-value add operations, using standard materials and optimizing manufacturing lines.

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Supply Chain and Inventory Management

Our expertise in supply chain and materials management often allows us to further reduce costs and cycle times for our customers. Our procurement and materials management services include planning, purchasing, expediting, warehousing and financing materials from thousands of suppliers and are generally governed by our customer agreements. We have created a proprietary set of automated manufacturing resources planning tools to manage our inventory. We have also implemented inventory management strategies with some suppliers that enable us to use inventory on an as-needed basis and provide on-site stocking programs.

Quality Control

We believe the integration of our manufacturing and test controls, quality systems, and software platforms contribute significantly to our ability to deliver high-quality products on a consistent basis and reduce the risk that we will be required to replace defective products. Our manufacturing execution system (MES) is directly integrated with our test system and enterprise resource planning (ERP) database allowing us to respond to any process deviations in real time. 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. Our test capabilities include traditional printed-circuit board assembly (PCBA) testing, mechanical 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).

Customized Optics and Glass Fabrication

We design and fabricate our own customized optics and glass, which are core components of the higher level assemblies that we manufacture for our customers. Our fabrication facilities are located in Fuzhou, China and New Jersey. Our customized optics and glass products include the following:

- *Fiber Optic Ferrules and Alignment Sleeves; Fiber Optic Substrates; Glass Tubings, Capillaries and Rods:* These single bore and multi-bore products, in various shapes and dimensions, are used principally in optical communications, medical and industrial applications.
- *Laser Optics:* Includes crystals (such as YVO4, Nd: YVO4, Cr: YAG, LiNbO3 and BBO) used in laser applications.
- *Storage Optics:* Includes mirrors, polarizing beam splitters, or PBS, and waveplates incorporated into optical storage products.
- *Surveying Optics:* Includes penta prisms, corner cubes, and PBS penta prisms incorporated into precision surveying products.
- *Telecom Optics:* Includes C-lens, waveplates, prisms and YVO4 crystals used for telecommunications applications.
- *Telecommunication Subassemblies:* Includes fiber tube assemblies and collimators used in many fiber optic components such as isolators, circulators, optical switches and three-port filters.

Technology

We believe that we provide a broader array of process technologies than any other manufacturing services provider to the optics industry. We have developed, and continue to develop, a number of these process technologies internally, independent of any specific customer requirements, and license these technologies to our customers on a royalty-free basis as we apply them to their products. We also develop process technologies for specific customers' products and transfer ownership of those process technologies to the customer.

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We continue to invest in customized optics and glass technology including in the areas of crystal growth, crystal and glass processing, optical coating, optical assemblies and glass drawing. We also intend to continue to increase our process engineering capabilities and manufacturing technologies to extend our product portfolio and continue to gain market share in the optics industry.

Our internally developed and licensed technologies include the following:

- *Advanced Optical Packaging:* We have extensive experience in developing manufacturing processes and performing value engineering to improve our customers' product performance, quality, reliability and manufacturing yields. In many cases, we partner with our customers to develop custom manufacturing solutions for their optics 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 reliability laboratory, we are able to perform most of the tests required by industry standards, including damp heat, thermal aging, thermal shock, temperature cycling, shock and vibration, accelerated life testing and stress screening. The reliability laboratory is critical to verification of root cause failure analysis.
- *Optical and Mechanical Material and Process Analysis:* Our in-house material and process laboratory analyzes materials to support incoming inspection, process development, process monitoring, failure analysis and verification of compliance with the applicable environmental standards.
- *Precision Optical Fiber and Electro-mechanical Assembly:* We have extensive experience in precision optical and electro-mechanical assemblies in clean room environments, clean room control discipline, cleaning technologies and electro-static discharge (ESD) protection.
- *Fiber Metallization and Lensing:* We use our fiber metallization and fiber lensing capabilities to assist our customers in packaging 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 Fiber Alignment:* The technique with which optical fiber is handled can have a significant impact on the functionality and reliability of optics products due to the risk of damage or flaws introduced to the fiber surface or micro-cracks to the core of the fiber, which may impact alignment or signal quality, among other things. 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.
- *Optical Testing:* We have the capability to perform parametric and functional tests for a wide variety of optical devices. In many cases, we are also able to help our customers develop their own proprietary software and test fixtures.
- *Crystal Growth and Processing:* Our crystal growth technology produces non-linear optical crystals and crystals used in laser applications. Our processing capabilities include dicing, grinding, polishing and inspection with high dimension, tolerance and surface quality.
- *Glass Drawing:* We have developed the specialized capabilities necessary to draw precision structures within tight tolerances using borosilicate, clear fused quartz and synthetic fused silica glass. Using these processes, we produce customized rectangular and circular glass tubes and rods in various configurations and with multiple bores that are accurately drawn in precise locations within the tubing. These tubes can be sliced into thin wafers for use in various applications, such as ultra-filtration of bacteria, micro-organism counting, and identification of organisms and substances. These tubes can also be cut into larger lengths to produce ferrules and sleeves for use in fiber optic communications components.
- *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.

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We continuously invest in new and optimized processes to accommodate the next generation of optical devices. The capabilities we have recently added or are currently implementing include:

- *Packaging Technology*
 - Optical alignment of light signals between components and fibers at +/- 1 micron
 - Die placement on a housing or other surface at +/- 10 micron (in development to reach +/- 7 microns and +/- 5 microns)
 - Pad pitch wire bond at 60 microns (in development to reach 50 microns and 42 microns)
 - Pad size minimum 55 microns (in development to reach 45 microns and 37 microns)
 - Gold/aluminum thin wire bonding (in development to add copper wire, thick wire and ribbons)
- *Coating Technology*
 - Reflectivity to 99.9% (in development to reach 99.99%)
 - Laser Defect Threshold to 5J/cm² (in development to reach 25J/cm²)
 - Coating thickness up to 7 micron (in development to reach 25 micron)
- *PCBA Technology*
 - 01005 process qualification
 - Halogen-free processes (in development)
 - Package on Package, or PoP, process (in development)

We believe many of these manufacturing processes and technologies will be key to developing and commercializing the next generation of optical devices, which may include multi-function passive optics and photonic integrated circuits (which are devices, such as optical line transmitters, that incorporate various optical components and modules into a packaged chip), receivers integrated with an optical amplifier, and optical active cabling. We also anticipate our customers will continue to desire our vertically integrated capabilities, designing customized optics and glass to be incorporated into optical components, modules and complete network or laser systems.

Customers, Sales and Marketing

Our customers include six of the ten largest optical communications components companies worldwide in terms of revenue for the twelve months ended March 31, 2009, according to Ovum-RHK. Our diverse customer base includes Coherent, Inc., EMCORE Corporation, Finisar Corporation, Infinera Corporation, JDS Uniphase Corporation, Newport Corporation, Oclaro, Inc., and Opnext, Inc.

The optical communications market we serve is highly concentrated. Therefore, we expect that the majority of our total revenues will continue to come from a limited number of customers. Our top five customers represented 72% and 82% of our total revenues during the three months ended September 25, 2009 and fiscal 2009, respectively. During fiscal 2009, JDS Uniphase Corporation, Oclaro, Inc., EMCORE Corporation, Finisar Corporation, and Opnext, Inc. each contributed 10% or more of our total revenues.

The production of optics devices is characterized by a lengthy qualification process. In particular, the qualification and field testing of the products that we produce for our customers may take three to six months 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. While most of our customers do not purchase our services until they qualify the services and satisfactorily complete factory audits and vendor evaluations, we produce a test run of their products to demonstrate that the products that we produce

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will meet their qualification standards in advance of receiving an order. As part of this process, our engineers work closely with the customer's design and procurement teams. We believe that the rigorous product transfer and qualification processes, and the close relationships that we develop with our customers during those processes, results in greater visibility into product life cycles and longer-term customer engagements.

Our operations and business development staff manage customer relationships, new product introductions, product roadmaps and competitive analysis. We maintain a worldwide sales and marketing staff of approximately 12 employees who have regional responsibility for customer development. We have initiated an effort to expand our sales staff in Europe and Asia.

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.

Suppliers of Raw Materials

Our manufacturing operations use a wide variety of optical, semiconductor, mechanical and electronic components, assemblies and raw materials. We generally do not maintain long-term guaranteed supply agreements with any of our suppliers, and instead purchase materials through standard purchase orders. We rely on sole-source suppliers for a number of critical materials to manufacture our customers' products. Some of these sole-source suppliers are small businesses lacking financial resources or a track record, which presents risks to us based on those suppliers' financial health and reliability, which we continually monitor. We have historically experienced supply shortages for various reasons, including reduced yields by our suppliers, which have prevented us from manufacturing products for our customers in a timely manner. While we continually undertake programs to ensure the long-term availability of raw materials, there can be no assurance that we will be successful in doing so or that we will not be subject to future supply constraints.

Quality

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 improve 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 is limited to our workmanship and our liability is capped at the price of the product.

Our quality management systems help to ensure that the products we provide to our customers meet or exceed industry standards. We maintain the following certifications: ISO 9001:2000 for Manufacturing Quality Systems, ISO 14001 for Environmental Quality Systems, TL9000 for Telecommunications Industry Quality Certification, TS16949:2002 for Automotive Industry Quality Certification, ISO 13485:2003 for Medical Devices, OHSAS 18001 for Health and Safety, CSR-DIW for Corporate Social Responsibility 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 sustainable manufacturing, lean initiatives and continuous improvement throughout our company. The implementation of lean manufacturing initiatives 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

Although the manufacturing services market is highly competitive, there are significant barriers to entry in our existing and target markets, including the lengthy sales cycle, the need to demonstrate complex precision optical and electro-mechanical engineering and manufacturing capabilities to a prospective customer and the ability to protect a customer's intellectual property.

Our overall competitive position depends upon a number of factors, including:

- our manufacturing technologies and capacity;
- the quality of our manufacturing processes and products;
- our supply chain tools and data management systems;
- our engineering and prototyping capabilities;
- our ability to strengthen and broaden our engineering services and know-how to participate in the growth of emerging technologies;
- our ability to deliver on-time;
- cost; and
- our responsiveness and flexibility.

Competitors in the market for optical manufacturing services include Benchmark Electronics, Inc., Hon Hai Precision Industry Co. Ltd, Oplink Communications, Inc., Sanmina-SCI Corporation and Venture Corporation Limited, as well as the internal manufacturing capabilities of our customers. Our customized optics and glass operations face competition from companies such as Alps Electric Co., Ltd., Browave Corporation, Fujian Castech Crystals, Inc. and Photop Technologies, Inc.

Intellectual Property

Our success depends on our ability to protect our customers' intellectual property. We license various technologies from our customers on a non-exclusive, royalty-free, non-transferable basis for the sole purpose of allowing us to manufacture products for those customers in accordance with their specifications. We have no rights to disclose, use or sell this licensed technology for any purpose other than as specified by the customer. The duration of these licenses is limited to the duration of the underlying supply or manufacturing agreement. To meet the demands of certain customers, we created a factory-within-a-factory manufacturing environment. Some customers, for example, demand anonymity at our facilities while other customers require biometric security measures to enter their segregated manufacturing areas.

We regard our own manufacturing process technologies and customized optics and glass designs as proprietary intellectual property. We own any process engineering technology independently developed in-house by our technical staff. As part of our manufacturing services, we grant our customers a royalty-free license to these process engineering technologies for the purpose of allowing our customers to make their products or have their products made by third parties. Any process engineering or other improvements that we develop in connection with the improvement or optimization of a process for the manufacturing of a customer's products are immediately assigned to that customer. To protect our proprietary rights, we rely largely upon a combination of trade secrets, non-disclosure agreements and internal security systems. Historically, patents have not played a significant role in the protection of our proprietary rights. Nevertheless, we currently have a relatively small number of solely-owned and jointly-held PRC patents in various customized optic technologies with expiration dates between 2019 and 2021. 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.

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Environmental Regulation

We are subject to a variety of international and U.S. laws and other legal requirements relating to the use, disposal, clean-up of and human exposure to, hazardous materials. To date, such laws and regulations have not materially affected our business. 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 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.

Employees

As of September 25, 2009, we had approximately 4,400 full-time employees located in Thailand, the PRC, the U.S. and Canada. As of September 25, 2009, we had approximately 3,600 full-time employees located in Thailand, approximately 3,440 of whom were engaged in manufacturing operations and 160 of whom were engaged in general and administration. As of September 25, 2009, we had approximately 790 full-time employees located in the PRC, approximately 700 of whom were engaged in manufacturing operations and 90 of whom were engaged in general and administration. As of September 25, 2009, we had approximately 40 full-time employees located in the U.S., approximately 30 of whom were engaged in manufacturing operations and 10 of whom were engaged in general and administration. We also have one general and administrative employee in Canada. Of our more than 500 technical employees, approximately 30% hold advanced degrees and approximately 4% hold doctorate degrees. None of our employees are represented by a labor union. We have not experienced any work stoppages, slowdowns or strikes. We consider our relations with our employees to be excellent. Our employees have been employed by us for an average of approximately five consecutive years.

Facilities

We have facilities located in Bangkok, Thailand, Fuzhou, China 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 Campus, Bangkok, Thailand (Buildings 3 and 4)	2004 (Building 3) and 2005 (Building 4)	Owned*	288,000 square feet
CASIX, Fuzhou, PRC	2005	Leased**	248,000 square feet
VitroCom, Mountain Lakes, New Jersey, USA	2005	Leased until June 30, 2010***	20,000 square feet
Pinehurst Campus, Bangkok, Thailand (Building 5)	2008	Owned*	317,000 square feet

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

** The lease periods for the buildings located at this facility expire on September 30, 2010 and September 30, 2013.

*** We are currently negotiating a new three year lease.

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 25, 2009:

<u>Name</u>	<u>Age</u>	<u>Position*</u>
Executive Officers:		
David T. Mitchell	67	Chief Executive Officer, President and Chairman of the Board of Directors
Dr. Harpal Gill	56	Chief Operating Officer; Executive Vice President, Operations of Fabrinet USA, Inc. and Fabrinet Co., Ltd.
Mark J. Schwartz	42	Chief Financial Officer and Secretary; Executive Vice President of Fabrinet USA, Inc.
Nat Mani	47	Executive Vice President, Sales & Marketing of Fabrinet USA, Inc.
Non-Employee Directors:		
Mark A. Christensen	50	Director
Dr. Ta-lin Hsu	66	Director
Dr. Frank H. Levinson	56	Director
Rollance E. Olson	66	Director
Dr. William J. Perry	82	Director
Virapan Pulges	48	Director

* Unless otherwise noted, all positions are with Fabrinet.

David T. (Tom) Mitchell is our founder and has served as our chief executive officer, president and chairman of the board of directors since our inception in 2000. In 1979, Mr. Mitchell co-founded Seagate Technology, a disk drive manufacturing company. Mr. Mitchell served as the president of Seagate Technology from 1983 to 1991. From 1992 to 1995, Mr. Mitchell served as the chief operating officer of Conner Peripherals, a disk drive manufacturing company. From 1995 to 1998, Mr. Mitchell served as the chief executive officer of JTS Corp., a mobile disk drive manufacturing company. During his tenure in the data storage industry, Mr. Mitchell 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. Harpal Gill has served as our chief operating officer since March 2009, executive vice president, operations of Fabrinet Co., Ltd. since July 2007, and executive vice president, operations of Fabrinet USA, Inc. since joining us in May 2005. From July 2003 to January 2005, Dr. Gill served as vice president of engineering and then 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. From June 1996 to October 1998, Dr. Gill served as the managing director of JTS Corp., a disk drive manufacturer. 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 and a doctor of philosophy degree in engineering from the University of Bradford.

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. 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.

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Nat Mani has served as executive vice president, sales & marketing of Fabrinet USA, Inc. since June 2006, as senior vice president, business development of Fabrinet USA, Inc. from 2004 to June 2006, and as vice president, business development of Fabrinet USA, Inc. from 2001 to 2004. Prior to joining us, from 1988 to 2001, Mr. Mani held management positions in strategy and business planning, sales and finance with International Business Machines Corporation, JTS Corp., Radius Inc. and Siemens. Mr. Mani earned a master's degree in management studies from the Birla Institute of Technology and Science and a master's degree in business administration from Tulane University.

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., a publicly traded semiconductor company, and two privately-held companies, Gige 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 2000. 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, Dr. Hsu 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 currently serves on the board of directors of Advanced Semiconductor Engineering, Inc. and Marvell Technology Group Ltd. 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 the Vice-Chairman of the Board of Trustees of Give2Asia. 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, LLC, a group primarily involved in investing in and growing small companies. 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, Dr. Levinson served as the optical department manager at Raynet, Inc., a fiber optic systems company and, from April 1985 to December 1985, as the chief optical scientist at Raychem Corporation. From January 1984 to July 1984, Dr. Levinson 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 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.

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

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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.

Dr. William J. Perry has served on our board of directors since 2008. Dr. Perry is the Michael and Barbara Berberian Professor at Stanford University, with a joint appointment in the School of Engineering and the Institute for International Studies, where he is co-director of the Preventive Defense Project. His previous academic experience includes professor (half-time) at Stanford from 1988 to 1993, when he was the co-director of the Center for International Security and Arms Control. Dr. Perry also served as a part-time lecturer in the Department of Mathematics at Santa Clara University from 1971 to 1977. Dr. Perry was the nineteenth United States Secretary of Defense, serving from February 1994 to January 1997. Dr. Perry's previous government experience was as Deputy Secretary of Defense (1993–94) and undersecretary of defense for research and engineering (1977–81). Dr. Perry's business experience includes serving as a laboratory director for General Telephone and Electronics (1954–64); founding and serving as chief executive officer of Electromagnetic Systems Laboratory, Inc. (ESL) (1964–77); serving as executive vice-president of Hambrecht & Quist (1981–85); and founding and serving as the chairman of Technology Strategies and Alliances (1985–93). Dr. Perry serves on the board of directors of Lucent Government Systems (a subsidiary of Alcatel–Lucent), Covant Technologies, LLC, and Acuitus (a private company). Dr. Perry earned a bachelor of science degree and a master's degree from Stanford University and a doctor of philosophy degree from Pennsylvania State University, all in mathematics.

Virapan Pulges has served on our board of directors since 2000. Since May 2005, Mr. Pulges has served as a consultant to H&Q Asia Pacific for its investments in Thailand and as a managing director of TICON Industrial Connection Public Co., Ltd., an industrial property development company. 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. 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 the Thai Venture Capital Association (TVCA) and as a director and the treasurer of the Singapore-Thai Chamber of Commerce. 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 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. 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 board of directors currently consists of seven 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 may not consist of more than 15 directors. 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.

Our officers are appointed 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 honestly, in good faith and in what they consider to be our best interests. Our directors also have a duty to act with skill and care. In fulfilling their duty of care, our directors seek to ensure compliance with our memorandum and articles of association, as may be amended from time to time.

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

- overall responsibility for the management of our business;
- convening shareholders' meetings and reporting its work to our shareholders at such meetings;
- appointing officers and determining the term of office and compensation of officers;
- issuing authorized but unissued shares or repurchasing our outstanding shares;
- formulating our major acquisition and disposition plans, and plans for merger, division or dissolution;
- implementing shareholders' resolutions;
- declaring dividends or distributions;
- 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 Messrs. [], [] 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 the board of directors of a listed company be independent directors, as independence is defined in 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.

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.

Audit Committee

Our audit committee currently consists of Messrs. [], [] and []. Mr. [] is the chairman of our audit committee. Our board of directors has determined that Mr. [] is an "audit committee financial expert," as that term is defined by the Securities and Exchange Commission and satisfies the financial sophistication requirements of the New York Stock Exchange. Our board of directors has determined that all of our audit committee members are "independent" 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.

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

- pre-approving all audit and non-audit services permitted to be performed by our independent auditors;
- annually reviewing our independent auditors' report describing (i) their internal quality-control procedures, (ii) any material issues raised by the most recent internal quality control review, or peer review, of our independent auditors and (iii) all relationships between our independent auditors and our company, in order to assess our auditors' independence;
- setting hiring policies for employees or former employees of our independent auditors;
- 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;
- reviewing and discussing the annual and quarterly 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; and
- meeting separately, periodically, with management, our internal auditors and independent auditors.

Compensation Committee

Our compensation committee currently consists of Messrs. [] and []. Mr. [] is the chairman of our compensation committee. Our board of directors has determined that all of our compensation committee members are "independent" within the meaning of the rules of the New York Stock Exchange. In addition, our board of directors has determined that all of our compensation committee members meet the requirements of the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act and the outside director definition of Section 162(m) of the Internal Revenue Code, as amended.

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

- reviewing and determining the compensation of our chief executive officer;
- developing, reviewing and approving our overall compensation policies and goals, including policies and forms of compensation provided to our directors and officers;

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- monitoring and reviewing matters related to succession planning for our executives officers;
- administering our equity incentive plans; and
- reviewing and approving the compensation discussion and analysis to be included in our annual proxy statement.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee currently consists of Messrs. [] and []. Mr. [] is the chairman of our nominating and corporate governance committee. Our board of directors has determined that all of our nominating and corporate governance committee members are “independent” 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:

- assisting our board of directors in identifying prospective director nominees and selecting, or recommending that our board of directors select, the director nominees for each annual meeting of shareholders;
- recommending to our board of directors persons to be members of each board committee;
- developing and recommending to our board of directors a set of corporate governance principles; and
- overseeing the annual evaluation of our board of directors and its committees and our management.

Compensation Committee Interlocks and Insider Participation

During fiscal 2009, 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 the board of directors, participated in deliberations of our board of directors concerning executive officer compensation other than Mr. Mitchell’s own 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.

Corporate Governance

Our board of directors has adopted a financial officer code of ethics, which is applicable to our senior executives and finance group. In addition, our board of directors has adopted a code of business conduct, which is applicable to all of our directors, officers and employees. A copy of our financial officer code of ethics and our code of business conduct will be available on our website upon completion of this offering.

Employment Agreements

We and certain of our subsidiaries have entered into employment agreements or offer letters with Mr. Mitchell, Dr. Gill, Mr. Schwartz and Mr. Mani that provide the general terms and conditions of their employment. The employment agreements and offer letters provide for initial base salary, eligibility to participate in our former executive bonus plan, standard employee benefit plan participation, and recommendations for initial share option grants. In addition, the employment agreements and offer letters provide for payments and benefits upon termination of employment in specified circumstances, including following a change in control. These arrangements (including potential payments and terms) are discussed in more detail in the section “Potential Payments Upon Termination or Change in Control” below.

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Fiscal 2009 Director Compensation

The following table presents information regarding the compensation paid during fiscal 2009 to individuals who were members of our board of directors at any time during fiscal 2009 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 2009 is presented below in the fiscal 2009 Summary Compensation Table and the related explanatory tables. Such employee-directors do not receive separate compensation for service on our board of directors.

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Option Awards⁽¹⁾ (2)(3)</u>	<u>All Other Compensation</u>	<u>Total</u>
Mark Christensen	\$ 15,000	\$ —	\$ —	\$ 15,000
Dr. Ta-lin Hsu	—	—	—	—
Dr. Frank Levinson	—	—	—	—
Rollance Olson	15,000	—	—	15,000
Dr. William J. Perry	15,000	83,952	44,809 ⁽⁴⁾	143,761
Virapan Pulges	—	—	—	—

- (1) Amounts shown do not reflect compensation actually received by the director. Instead the dollar value of these awards is the compensation cost associated with share options that were recognized for financial statement reporting purposes in accordance with the provisions of FASB ASC 718, but excluding any estimate of future forfeitures related to service-based vesting conditions and reflecting the effect of any actual forfeitures. For a discussion of the assumptions and methodologies used to calculate the amounts reported, please see Note 14 to our audited consolidated financial statements, included as part of this prospectus.
- (2) The following table presents the number of outstanding options held by each of our non-employee directors as of June 26, 2009.

<u>Director</u>	<u>Aggregate Number of Shares Underlying Options Outstanding</u>
Mark Christensen	30,000
Dr. Ta-lin Hsu	—
Dr. Frank Levinson	—
Rollance Olson	30,000
Dr. William J. Perry	30,000
Virapan Pulges	—

- (3) In connection with his election to our board of directors, Dr. Perry received the following share option grant in fiscal 2009.

<u>Grant Date</u>	<u>Number of Shares</u>	<u>Exercise Price Per Ordinary Share</u>	<u>Grant Date Fair Value</u>
8/28/08	30,000	\$ 5.50	\$ 169,531

- (4) Represents fees paid for consulting services.

During fiscal 2009, 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. Other than Dr. Perry, none of our directors received an annual cash retainer or any equity awards or other form of compensation for their service during fiscal 2009.

EXECUTIVE COMPENSATION

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 officer, principal financial officer, and the other individuals included in the Fiscal 2009 Summary Compensation Table below. 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 Mr. Mitchell, our chief executive officer, president and chairman of the board of directors, except that the executive compensation program of Mr. Mitchell was determined and approved by our board of directors (excluding Mr. Mitchell). Mr. Mitchell is the only Named Officer serving as a member of our board of directors or responsible for determining the form or amount of compensation paid to our senior executive officers. Following the completion of this offering, the compensation committee of our board of directors will determine the executive compensation programs for all of our Named Officers. 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, and 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.
- *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 our Named Officers include a base salary and long-term equity incentive awards. In addition, our Named Officers may participate in our 401(k) plan and employee 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
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 our performance
Severance and Other Benefits Upon Termination of Employment	<ul style="list-style-type: none">• Attract, retain and motivate qualified executives• Attract, retain and motivate qualified executives

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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. We retained an independent compensation consultant to benchmark our executives' compensation against the levels paid by our competitors as well as to establish base salary levels and severance benefits for our executives. In addition, we have periodically reviewed compensation data regarding total compensation of executives in comparable companies in our industry through public filings to ensure that we provide a competitive executive compensation program to retain and attract highly qualified executives. However, any review of such public information never resulted in any change to an executive's compensation, but merely reiterated that we were within a competitive range. Other than ensuring our compensation programs were within such a competitive range, we did not use the data in making specific determinations about any of our executives' compensation.

Mr. Mitchell, a co-founder of Seagate who has worked in the manufacturing industry for more than 30 years, founded our company and has been our chief executive officer, president and chairman of the board of directors since our inception. Accordingly, his compensation as chief executive officer is intended to be competitive with the compensation of other executives of technology companies of our size and stage of development. As individuals have been added to our executive team, we have attempted to provide a competitive compensation package for each executive position in order to attract and retain talent. As the roles and responsibilities for each executive position vary, the aggregate amount and structure of each executive's compensation package varies accordingly. Therefore, we have not attempted to equalize the compensation packages of any members of our executive team but rather have reviewed compensation based on each executive's own merit and the nature of the executive's position.

Following the completion of this offering, 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. We also expect that the independent compensation consultant will provide guidance to the compensation committee as to whether any changes are recommended to our executives' current compensation packages based on the consultant's analysis.

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. In fiscal 2009, our board of directors increased Dr. Gill's annual base salary from \$400,000 to \$475,000. Performance objectives used in the determination of each Named Officer's salary were based upon measures of corporate performance (without any reference to a specific goal), primarily increased revenues and overall net income. Future salary increases will be determined solely by the compensation committee, without any executive involvement in the final determination, after full consideration of the recommendations provided by an independent compensation consultant. The independent compensation consultant is expected to review industry practices within comparable companies and benchmark each executive's future salary increases to be consistent with other companies within our industry and financial comparative group.

Perquisites and Personal Benefits

In addition to base salaries, we provide our Named Officers with certain perquisites and personal benefits. We believe that perquisites and personal benefits are a tax-advantaged way to provide our Named Officers with additional annual compensation that supplements their base salaries. 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

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a different form. When determining each Named Officer's base salary, we take the value of each Named Officer's perquisites and personal benefits into consideration.

The perquisites and personal benefits paid to each Named Officer in fiscal 2009 are reported in the "All Other Compensation" column of the Fiscal 2009 Summary Compensation Table below, and are further described in the footnotes to the Summary Compensation Table.

Following the completion of this offering, we expect the compensation committee to 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 our Named Officers should be directly linked to the value provided to our shareholders. Therefore, we have historically made grants of share 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, 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, and the accounting impact and potential dilution effects. Our share option grants to our Named Officers have an exercise price as determined by our board of directors. The share options also function as a retention incentive for our executives as they vest ratably over the four-year period after the date of grant. We did not grant any share options to our Named Officers during fiscal 2009.

Severance and Other Benefits Upon Termination of Employment

We and certain of our subsidiaries have entered into employment agreements or offer letters with Mr. Mitchell, Dr. Gill, Mr. Schwartz and Mr. Mani that provide for them to receive severance benefits following certain terminations of their employment with us or our subsidiaries, as applicable. 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. These arrangements are consistent with our overall compensation objectives because, based on publicly filed information, we believe such arrangements are competitive with arrangements offered to senior executives by companies with whom we compete for executives and are critical to achieve our business objective of management retention. We expect that any independent compensation consultant hired by the compensation committee will review and assess the arrangements and provide us with guidance as to the competitiveness of such arrangements. In addition, the arrangements encourage executives to remain with us and provide the executives with enhanced financial security in recognition of past and future service that they provide us. The terms of these arrangements were evaluated in terms of the overall compensation packages for each executive. We structured the terms and payouts of each arrangement according to what the collective knowledge and experience of our board of directors indicated was industry standard for severance agreements at the time such arrangements were entered into. Please see "Potential Payments Upon Termination or Change in Control" below, for a description of the severance benefits our Named Officers may be entitled to receive upon termination of their employment.

Subsequent Compensation Actions

We intend to adopt a new equity compensation plan, the 2010 Performance Incentive Plan, or the 2010 Plan, to be effective upon the completion of this offering, and we expect that our shareholders will approve the 2010 Plan prior to the completion of this offering. A brief summary of the terms of the 2010 Plan is presented below under "Incentive Compensation Plans."

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After the completion of this offering, the compensation committee intends to 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) places a limit of \$1 million on the amount of compensation that a publicly held corporation may deduct in any one year with respect to its chief executive officer and each of the next three most highly compensated executive officers (other than its chief financial officer). In general, certain performance-based compensation approved by stockholders is not subject to this \$1 million deduction limit. As we are not currently publicly traded, our board of directors has not previously taken the deductibility limit imposed by Section 162(m) into consideration in making compensation decisions. We expect that following this offering, the compensation committee of our board of directors will adopt a policy that, where reasonably practicable, we will seek to qualify the compensation paid to our Named Officers as performance-based compensation, as applicable, to participate in exemption from the deductibility limitations of Section 162(m). However, we may authorize compensation payments that do not comply with the exemptions in Section 162(m) when we believe that such payments are appropriate to attract and retain executive talent.

Fiscal 2009 Summary Compensation Table

The following table presents information regarding the total compensation of (i) our principal executive officer, (ii) our principal financial officer, (iii) our other most highly compensated executive officers, other than our principal executive officer and principal financial officer, who were serving as executive officers at the end of fiscal 2009, and (iv) a former executive officer for whom disclosure would have been provided pursuant to Item 402 of Regulation S-K but for the fact that the individual was not serving as an executive officer at the end of fiscal 2009.

<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, President and Chairman of the Board of Directors	2009	\$ 450,000	\$ 653,600	\$ —	\$ 328,254 ⁽³⁾	\$ 1,431,854
Dr. Harpal S. Gill Executive Vice President, Chief Operations Officer of Fabrinet USA, Inc. and Fabrinet Co., Ltd.	2009	418,750	108,164	123,880	156,296 ⁽⁴⁾	807,090
Mark J. Schwartz Executive Vice President of Fabrinet USA, Inc., Chief Financial Officer and Secretary	2009	375,000	72,110	—	47,287 ⁽⁵⁾	494,397
Nat Mani Executive Vice President, Sales & Marketing of Fabrinet USA, Inc.	2009	375,000	72,110	—	38,462 ⁽⁶⁾	485,572
Dr. Teera Achariyapaopan Former Executive Vice President, Chief Operations Officer of Fabrinet Co., Ltd. ⁽⁷⁾	2009	258,616	391,988	—	328,253 ⁽⁸⁾	978,857

(1) These amounts reflect the amount allocated to each Named Officer during first and second quarters of fiscal 2009 pursuant to the then-existing Executive Bonus Plan, which represented five percent of our pre-tax profits. The percentage of each executive's bonus was set upon his hire date and did not change unless an

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additional executive became a participant in the plan. The Executive Bonus Plan was terminated during the three months ended March 27, 2009, with no further participation or benefits thereafter.

- (2) These amounts reflect the aggregate dollar amounts recognized for share options granted during fiscal 2009 for financial statement reporting purposes. No share options were forfeited by any of our Named Officers during fiscal 2009. For a discussion of the assumptions and methodologies used to calculate the amounts reported, please see the discussion of share options contained in Note 14 to our audited consolidated financial statements, included as part of this prospectus.
- (3) This amount consists of perquisites provided primarily in connection with Mr. Mitchell's international assignment, including: expenses related to his residence in Thailand (including rent, supplies and staff) of \$178,694; automobile and other transportation expenses (including drivers, maintenance and depreciation) of \$89,406; expenses for meals of \$23,387; and expenses for health insurance, airfare for home leave, disability insurance, certain club membership dues, certain expenses incurred in connection with Mr. Mitchell's home office in the U.S. and other miscellaneous expenses.
- (4) This amount consists of perquisites provided primarily in connection with Dr. Gill's international assignment, including: a cost of living allowance and accommodation of \$77,637; automobile expenses (including an auto allowance, a driver, maintenance and depreciation) of \$40,316; and matching contributions to Dr. Gill's account under our 401(k) plan, certain health insurance benefits and other miscellaneous expenses.
- (5) This amount includes a matching contribution to Mr. Schwartz's account under our 401(k) plan, certain health insurance benefits, an auto allowance and other miscellaneous expenses.
- (6) This amount includes a matching contribution to Mr. Mani's account under our 401(k) plan, certain health insurance benefits and an auto allowance.
- (7) Dr. Achariyapaopan left the Company in March 2009.
- (8) This amount consists of a severance payment of \$259,004, payments for accrued vacation, a provident fund contribution, automobile expenses and medical expenses.

Compensation of Named Officers

The Fiscal 2009 Summary Compensation Table above quantifies the value of the different forms of compensation earned by or awarded to our Named Officers during fiscal 2009. 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 share 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 2009 Summary Compensation Table should be read in conjunction with the tables and narrative descriptions that follow. The Outstanding Equity Awards at Fiscal 2009 Year-End and Option Exercises and Shares Vested in Fiscal 2009 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.

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Outstanding Equity Awards at Fiscal 2009 Year-End

The following table presents information regarding the outstanding equity awards held by each Named Officer as of June 26, 2009.

Name	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date ⁽²⁾
	Exercisable ⁽¹⁾	Unexercisable		
David T. Mitchell	—	—	\$ —	—
Dr. Harpal S. Gill	100,000	—	1.75	4/30/12
Mark J. Schwartz	60,417	39,583 ⁽³⁾	3.50	12/31/13
Nat Mani	50,000	—	1.50	5/6/11
Dr. Teera Achariyapaopan	25,000	—	1.50	5/6/11
Dr. Teera Achariyapaopan	—	—	—	—

- (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 January 1, 2007 with equal monthly vesting over 48 months, commencing with the grant date.

Option Exercises and Shares Vested in Fiscal 2009

The following table presents information regarding the exercise of share options by our Named Officers during fiscal 2009. None of our Named Officers had any share awards that vested during fiscal 2009.

Name	Number of Shares Acquired on Exercise	Value Realized on Exercise ⁽¹⁾
David T. Mitchell	—	\$ —
Dr. Harpal S. Gill	—	—
Mark J. Schwartz	—	—
Nat Mani	80,000	380,000
Dr. Teera Achariyapaopan	—	—

- (1) The dollar amounts for share options are determined by multiplying (i) the number of our ordinary shares acquired upon exercise of a share option, 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 share option.

Potential Payments Upon Termination or Change in Control

We and certain of our subsidiaries have entered into employment agreements or offer letters with Mr. Mitchell, Dr. Gill, Mr. Schwartz and Mr. Mani that provide the general terms and conditions of their employment, including payments and benefits upon termination of their employment in specified circumstances, including following a change in control.

Arrangement with Mr. Mitchell

We have 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. Mr. Mitchell may terminate his employment with us for any

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reason by providing written notice 90 days in advance. We may terminate Mr. Mitchell's employment at any time with or without notice or cause. 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.

If we terminate Mr. Mitchell's employment without "cause" or he terminates his employment for "good reason," Mr. Mitchell is entitled to receive a lump sum severance payment equal to two times his then-current annual base salary, plus accrued salary and declared but unpaid bonus and reimbursement of expenses, all subject to applicable tax withholdings. Therefore, if Mr. Mitchell's employment had been terminated by us without "cause" or by him for "good reason" on June 26, 2009, he would have been entitled to a lump sum cash payment equal to \$900,000 (which represents two times his annual base salary), plus any accrued salary and declared but unpaid bonus and reimbursement of expenses.

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.

Arrangements with Dr. Gill, Mr. Schwartz and Mr. Mani

Our California and Thai subsidiaries have entered into at-will employment agreements with Dr. Gill, pursuant to which Dr. Gill serves as our California subsidiary's senior vice president of operations and as our Thai subsidiary's executive vice president and chief operations officer. Our California subsidiary has entered into an at-will offer letter with Mr. Schwartz, pursuant to which Mr. Schwartz serves as its senior vice president, global finance and secretary. Our California subsidiary has entered into an at-will employment agreement with Mr. Mani, pursuant to which Mr. Mani serves as its vice president of business development.

In the event Dr. Gill's, Mr. Schwartz's or Mr. Mani's employment is terminated either (1) in connection with a "change in control" (whether or not for good cause) or (2) without "good cause" (without regard to whether there is a change in control), Dr. Gill, Mr. Schwartz or Mr. Mani, as applicable, is entitled to receive a lump sum severance payment equal to his then-current annual base salary, medical coverage for 12 months following his termination of employment and any earned bonus, all subject to applicable tax withholdings. If we had terminated employment with Dr. Gill in connection with a change in control or without good cause on June 26, 2009, he would have been entitled to cash severance equal to \$475,000 (which represents one year of his annual base salary), plus 12 months of medical coverage and any earned bonus in effect on June 26, 2009. If we had terminated employment with Mr. Schwartz in connection with a change in control or without good cause on June 26, 2009, he would have been entitled to cash severance equal to \$375,000 (which represents twelve months of his base salary), plus twelve months of medical coverage and any earned bonus in effect on June 26, 2009. If we had terminated employment with Mr. Mani in connection with a change in control or without good cause on June 26, 2009, he would have been entitled to cash severance equal to \$375,000 (which represents one year of his annual base salary), plus twelve months of medical coverage and any earned bonus in effect on June 26, 2009.

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For purposes of Mr. Mitchell's, Dr. Gill's, Mr. Schwartz's and Mr. Mani's employment arrangements, "change in control" includes the occurrence of (i) a change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total fair market value or the total voting power of the stock of the Company. For purposes of this clause (i), if any Person is considered to own more than 50% of the Company's total fair market value or total voting power, the acquisition of additional stock of the Company by the same Person will not be considered a change in control; or (ii) a change in the effective control of the Company which occurs (a) on the date any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company, or (b) on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a change in control; or (iii) a change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this clause (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of Dr. Gill's, Mr. Schwartz's and Mr. Mani's employment arrangements, "good cause" means (i) an act of dishonesty made in connection with their responsibilities as an employee, (ii) a conviction of or plea of nolo contendere to, a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) gross misconduct, (iv) unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom they owe an obligation of nondisclosure, (v) willful breach of any obligations under any written agreement or covenant with the Company, or (vi) continued failure to perform employment duties after receipt of a written demand of performance from the Company.

Incentive Compensation Plans

As of September 25, 2009, our employees held outstanding options to purchase up to 782,082 of our ordinary shares, of which 568,293 were vested and exercisable. All of the outstanding options were granted under our 1999 Share Option Plan. The exercise prices of the outstanding options range from \$1.50 per share to \$5.75 per share, each exercise price set as the book value of an underlying ordinary share on the date of grant, and each option has 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

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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 3,502,857 ordinary shares for issuance pursuant to the 1999 Plan. As of September 25, 2009, options to purchase 782,082 ordinary shares were outstanding, and 157,134 ordinary 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 share options granted under the 1999 Plan, the exercise price must at least be equal to the book 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 share options.

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 share option equal to the amount (if any) by which the change in control price exceeds the exercise price of the share 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 share 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 by such participant. However, upon the death of the participant, a share option may be exercised by the participant's estate or by the persons who acquire rights by bequest but only to the extent a share option is vested at the time of the participant's death.

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.

2010 Performance Incentive Plan

We intend to have our board of directors adopt our 2010 Performance Incentive Plan, or 2010 Plan, to be effective upon the completion of this offering, and we expect that our shareholders will approve the 2010 Plan prior to the completion of this offering. The 2010 Plan will provide an additional means of compensation 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 2010 Plan.

Our board of directors, or a committee of directors appointed by the board, has the authority to administer the 2010 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 2010 Plan;
- accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;
- subject to the other provisions of the 2010 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 2010 Plan, plus any shares subject to share options under the 1999 Plan outstanding as of the date our shareholders adopt the 2010 Plan that expire, are canceled or terminate after the shareholder adoption date. In addition, the 2010 Plan contains an evergreen provision permitting the increase of the share reserve in calendar year 2011 in the amount of 2% of the outstanding ordinary shares on the date of completion of this offering; in each of calendar years 2012-2015, 2% of the outstanding ordinary shares on January 1 of each year, plus the number of shares available on January 1 of the prior year that were not granted in that prior year, or such number of shares determined by the board. Only the actual number of shares issued pursuant to an award will reduce the number of shares available for issuance under the 2010 Plan. Awards settled in cash or a form other than ordinary shares will not reduce the number of shares available for issuance under the 2010 Plan. Shares subject to awards that expire or are cancelled or terminated, forfeited, fail to vest, or are not paid or delivered under the 2010 Plan will be available for subsequent awards under the 2010 Plan. Shares exchanged or withheld by us as payment of the exercise price of awards or related tax withholding obligations will be available for subsequent awards under the 2010 Plan. As of the date of this prospectus, no awards have been granted under the 2010 Plan, and the full number of shares authorized under the 2010 Plan is available for award purposes.

Of the total ordinary shares authorized for issuance under the 2010 Plan, only [] shares may be issued as incentive share options. No more than [] ordinary shares with respect to share options and share

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appreciation rights may be issued to an individual during any calendar year. No more than [] ordinary shares with respect to restricted shares, performance shares and share units may be issued to an individual during any calendar year.

Awards under the 2010 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 2010 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 2010 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 2010 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 under the 2010 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 2010 Plan will generally become fully vested, exercisable or payable, as applicable, if the award will not be assumed, substituted for or otherwise exchanged, continued or settled after the event. Each award will terminate after such event, provided that holders of options and share appreciation rights are given reasonable advance notice and reasonable opportunity to exercise their awards. However, awards and payments generally will not be accelerated if doing so will result in the non-deductibility of the awards for the Company under Internal Revenue Code Section 280G (i.e., golden parachute payments), unless such individual has entered into an agreement with the Company providing for a “gross-up” or other arrangement of golden parachute payments.

Our board of directors may amend or terminate the 2010 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 amendments will be submitted to shareholders for their approval as required by applicable law or any applicable listing agency. The 2010 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 2010 Plan will terminate ten years after the completion of this offering. 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 2010 Plan is ten years after the initial date of the award.

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 July 1, 2006 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.

Relationships with JDS Uniphase Corporation

JDS Uniphase Corporation (“JDSU”) owned 6.4% of our outstanding shares (fully diluted) as of September 25, 2009. 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 and have in the past entered into production wind-down and transfer agreements with JDSU. In connection with these transactions, JDSU purchased certain products from us totaling approximately \$12.8 million, \$89.3 million, \$100.1 million and \$126.5 million, and we purchased certain products from JDSU totaling approximately \$5.2 million, \$24.9 million, \$37.1 million and \$48.2 million during the three months ended September 25, 2009, fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

Relationships with Finisar Corporation

Frank H. Levinson, a member of our board of directors, was a member of the board of directors of Finisar Corporation (“Finisar”) until August 2008. In June 2000, we entered into a volume supply agreement with Finisar, at rates that we believe to be market, under which we serve as a service provider for Finisar. In addition, we purchase certain products from Finisar. In connection with these transactions, Finisar made payments to us of approximately \$12.6 million, \$63.2 million and \$72.9 million, and we made payments to Finisar of approximately \$8.3 million, \$37.8 million and \$35.9 million during the two months ended August 29, 2008, fiscal 2008 and fiscal 2007, respectively. As of August 29, 2008, we no longer considered Finisar to be a related party.

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

Asia Pacific Growth Fund III, L.P. and Mr. Mitchell (including his family trusts as further described under “Principal and Selling Shareholders”) are parties to a registration rights agreement that provides for the registration of ordinary shares that they beneficially own as of the date of this prospectus under certain circumstances.

Demand registration rights. Beginning six months after the completion of the offering, shareholders holding at least 30% of our registrable securities may, on no more than two occasions, require us to register or qualify for sale all of the registrable securities that such shareholders request to be registered. We are not

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obligated to effect any such registration if the anticipated aggregate offering price, net of underwriting discounts and commissions, from the sale of the registrable securities requested to be sold does not equal or exceed \$5,000,000. We are also not required to effect any such registration unless the request covers the registration of at least 15% of the registrable securities then outstanding. If we are qualified to do so, holders of registrable securities may also require us, on two occasions in any 12-month period, to register their securities on Form S-3 as long as the anticipated aggregate offering price of the registrable securities to be sold, net of underwriting discounts and commissions, equals or exceeds \$1,000,000.

We may delay a requested registration or qualification in certain circumstances, including to prevent premature disclosure of material nonpublic information.

Piggyback registration rights. The shareholders that are parties to the registration rights agreement also have “piggyback” rights, which require us to include their registrable securities when we register or qualify our securities. Such “piggyback” rights do not apply to registration statements relating to any employee benefit plan (so long as no ordinary shares held by Mr. Mitchell or his family trusts are included in such employee benefit plan registration statements), shares issued in an acquisition or a corporate reorganization or the offer and sale of debt securities.

Underwriters’ cutback. The number of registrable securities that our shareholders may register pursuant to their demand and “piggyback” registration rights in an underwritten offering may be limited by the underwriters on a pro rata basis based on marketing factors, and may be reduced to zero in an initial public offering.

Registration expenses. We are generally required to bear all registration expenses relating to demand and “piggyback” registration rights other than underwriting discounts and commissions. However, we are not required to bear the expenses of any demand registration if the request is subsequently withdrawn by the requesting shareholders unless (i) the request is withdrawn after the requesting shareholders have learned of a material adverse change in our business or (ii) the holders of a majority of the registrable securities agree to deem such registration to have been effected as of the withdrawal date for purposes of determining whether we are obligated under the registration rights agreement to undertake any subsequent registration.

Limitations on subsequent registration rights. We may not, without the written consent of holders of at least two-thirds of the registrable securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of our company that would grant such holder rights (i) to demand the registration of our shares of capital stock or (ii) to include such shares in a registration statement that would reduce the number of shares includable by Asia Pacific Growth Fund III, L.P. or Mr. Mitchell, including his family trusts.

Indemnification. The registration rights agreement contains customary cross-indemnification provisions pursuant to which we and the requesting shareholders are obligated to provide indemnification to each other and in certain circumstances contribute to payments that we or such shareholders may be required to make in the event of material misstatements or omissions in a registration statement or other filing attributable to the indemnifying party.

Expiration of registration rights. The registration rights described above will terminate as to any particular shareholder when such shareholder (together with its affiliates) no longer beneficially owns any registrable securities, or upon the seven-year anniversary of the completion of this offering, whichever occurs first.

Share Option Grants

We have granted options to purchase ordinary shares to our executive officers and directors. See “Executive Compensation—Compensation Discussion and Analysis.”

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Change in Control Agreements

We have entered into severance agreements with our executive officers as described in “Executive Compensation—Compensation Discussion and Analysis” and “Executive Compensation—Potential Payments Upon Termination or Change in Control.”

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.

Other Related Party Transactions

Siriwan Kaewchansilp, the sister-in-law of Mr. Mitchell, is employed by us as Director of European Sales and Marketing. Ms. Kaewchansilp received an aggregate of approximately \$155,000, \$145,000 and \$125,000 in annual base salary during fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Ms. Kaewchansilp held options to purchase 135,000 of our ordinary shares as of the end of fiscal 2008 and exercised all such share options in April 2009.

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 pre-approved the transactions with each related party. Following this offering, in accordance with our audit committee’s charter, our audit committee will review and pre-approve in writing any proposed related party transactions. The most significant related party transactions, particularly those involving our directors and officers, will be reviewed and pre-approved in writing by our board of directors. We will report all such material related party transactions under applicable accounting rules, federal securities laws and SEC rules and regulations. Any dealings with a related party must be conducted in such a way that does not give us or the related party preferential treatment. For purposes of these procedures, “related person” and “transaction” have the meanings contained in Item 404 of Regulation S-K.

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 our ordinary shares as of September 25, 2009, 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 our ordinary shares;
- each selling shareholder participating in this offering;
- each of our directors;
- each of our Named Officers; and
- all of our directors and executive officers as a group.

We have determined beneficial ownership in accordance with SEC rules. Except as indicated in the footnotes below, and subject to applicable community property laws, we believe, based on the information furnished to us, that the persons and entities named in the table below 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 30,849,355 ordinary shares outstanding as of September 25, 2009, and [] ordinary shares outstanding after completion of this offering. In computing the number of ordinary shares beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all ordinary shares subject to options held by that person or entity that are currently exercisable or exercisable within 60 days of September 25, 2009. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity.

Unless otherwise noted below, the address of each beneficial owner 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</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	58.3%	[]	[]	[]%
JDS Uniphase Corporation 430 North McCarthy Blvd. Milpitas, California 95035	2,000,000	6.5	[]	[]	[]
J.F. Shea Co. Inc. 655 Brea Canyon Road Walnut, California 91789	2,000,000	6.5	[]	[]	[]
Directors and Named Officers					
David T. Mitchell	6,285,714 ⁽¹⁾	20.4	[]	[]	[]
Dr. Harpal Gill	170,833 ⁽²⁾	*	—	170,833	*
Mark J. Schwartz	185,000	*	—	185,000	*
Nat Mani	185,000	*	—	185,000	*
Mark A. Christensen	30,000	*	—	30,000	*
Dr. Ta-lin Hsu	18,030,000 ⁽³⁾	58.4	[]	[]	[]
Dr. Frank H. Levinson	60,000	*	—	60,000	*
Rollance E. Olson	30,000	*	—	30,000	*
Virapan Pulges	30,000	*	—	30,000	*
Dr. William J. Perry	8,750 ⁽⁴⁾	*	—	8,750	*
Dr. Teera Acharyapaopan	1,010,000 ⁽⁵⁾	3.3	[]	1,010,000	[]
All current directors and executive officers as a group (10 people)	25,015,297 ⁽⁶⁾	80.6	[]	[]	[]

* Less than 1%.

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- (1) Consists of (i) 5,533,673 shares held by the David T. Mitchell Separate Property Trust, of which Mr. Mitchell is the sole trustee, (ii) 250,680 shares held by the Gabriel Thomas Mitchell Trust, of which Kimberley Totah is the sole trustee, (iii) 250,681 shares held by the Alexander Thomas Mitchell Trust, of which Kimberley Totah is the sole trustee, and (iv) 250,680 shares held by the Sean Thomas Mitchell Trust and the Sean Thomas Mitchell Trust. 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.
- (2) All such shares are issuable upon the exercise of options held by Dr. Gill that are exercisable within 60 days of September 25, 2009.
- (3) Consists of (i) 18,000,000 shares held by Asia Pacific Growth Fund III, L.P. and (ii) 30,000 shares held by H&Q Asia Pacific, Ltd. 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. and H&Q Asia Pacific, Ltd.
- (4) All such shares are issuable upon the exercise of options held by Dr. Perry that are exercisable within 60 days of September 25, 2009
- (5) All such shares are held by Dr. Achariyapaopan's wife. Dr. Achariyapaopan disclaims beneficial ownership of these shares.
- (6) Includes 179,583 shares issuable upon the exercise of options held by our current directors and executive officers that are exercisable within 60 days of September 25, 2009.

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 mainly 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 25, 2009, we had 30,849,355 ordinary shares outstanding, held of record by 74 shareholders, and there were outstanding options to purchase 782,082 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.

Alternatively, 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 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 an individual shareholder.

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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 deemed to be part of 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, if any, 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 that 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 themselves control us, and (iii) an irregularity in the passing of a resolution that requires a qualified (or special) majority.

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 applicable 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 our 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;
- 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;

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- 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 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 that 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.

On October 28, 2008, we paid a cash dividend of \$0.33 per share, totaling \$10.1 million. On September 1, 2009, we paid a cash dividend of \$1.00 per share, totaling \$30.8 million. Although we previously have paid cash dividends, we currently intend to retain any earnings for use in our business and do not currently intend to pay cash dividends on our ordinary shares after this offering.

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 United States and their shareholders.

Mergers and Similar Arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies.

For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by either (a) a special resolution of the shareholders of each constituent company voting together as one class if the shares to be issued to each shareholder in the consolidated or surviving company will have the same rights and economic value as the shares held in the relevant constituent company or (b) a shareholder resolution of each constituent company passed by a majority in number representing 75% in value of the shareholders voting together as one class. The plan must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette.

Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, 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.

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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 that 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 may not consist of more than 15 directors. 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. 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.

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.

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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 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

We have entered into a registration rights agreement with Asia Pacific Growth Fund III, L.P. and Mr. Mitchell, including his family trusts. See "Certain Relationships and Related Party Transactions—Registration Rights."

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 Computershare Trust Company.

Listing

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

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our ordinary shares. Future sales of substantial amounts of our ordinary shares, including shares issued upon the exercise of outstanding options, in the public market after this offering, or the possibility of these sales occurring, could adversely affect the prevailing market price of our ordinary shares from time to time or impair our ability to raise equity capital in the future.

Upon the completion of this offering, we will have outstanding an aggregate of approximately [] shares, assuming that there are no option exercises after September 25, 2009. Of these shares, the [] ordinary shares to be sold in this offering, plus any shares sold upon exercise of the underwriters' over-allotment option, will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 under the Securities Act.

The remaining [] ordinary shares will be "restricted securities" as such term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below.

Subject to the lock-up agreements described below, contractual provisions between us and certain shareholders and the provisions of Rules 144 and 701 under the Securities Act, these restricted securities will be available for sale in the public market as follows:

<u>Date</u>	<u>Number of Ordinary Shares</u>
On the date of this prospectus	
Between 90 and 180 days after the date of this prospectus	
At various times beginning more than 180 days after the date of this prospectus	

In addition, of the 782,082 ordinary shares that were subject to share options outstanding as of September 25, 2009, options to purchase 568,293 ordinary shares were vested and exercisable as of September 25, 2009 and will be eligible for sale 180 days following the date of this prospectus.

Rule 144

Rule 144(b)(1) – Non-Affiliates

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who (i) is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a proposed sale under Rule 144 and (ii) has beneficially owned the shares proposed to be sold for at least six months is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirement of Rule 144. In addition, if such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner (other than our affiliates), then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.

Rule 144(b)(2) – Affiliates

In general, under Rule 144 as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described below, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of our ordinary shares then outstanding, which will equal approximately [] shares immediately after this offering; or

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- the average weekly trading volume of our ordinary shares on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with the Securities and Exchange Commission with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale and notice requirements and the availability of current public information about us.

Rule 701

In general, under Rule 701 as currently in effect, our employees, 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 without complying with the holding period, public information, volume limitation or notice requirements of Rule 144.

Registration Rights

After the completion of the offering, Asia Pacific Growth Fund III, L.P. and Mr. Mitchell will be entitled to have their shares registered by us for resale. For a discussion of these rights, see “Certain Relationships and Related Party Transactions—Registration Rights.”

Share Options

We intend to file a registration statement on Form S-8 under the Securities Act covering all ordinary shares that are either subject to outstanding options or may be issued upon exercise of any options or other equity awards that 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, the selling shareholders, all of our directors and executive officers and a substantial portion of our other 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. In certain circumstances, this agreement may be extended, as set forth under the heading “Underwriting.”

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 are the material U.S. federal income tax considerations relating to the ownership and disposition of our ordinary shares applicable to U.S. Holders described below. 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. Partnerships that hold our common stock, and partners in such partnerships, should consult their tax advisors.

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. 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

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rate (generally 15%) as long as our ordinary shares are readily tradable on the New York Stock Exchange. You should consult your own tax advisor 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 2010 or the foreseeable future. Our expectation is based on our projections of the value of our assets, which will be determined in part on the trading price of our ordinary shares. 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. *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, 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.

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

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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 a PFIC or, with respect to a particular U.S. Holder, we are treated as a PFIC for the taxable year in which the distribution was paid or the prior taxable year, 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.

If we are a PFIC in any such year, you will be able to avoid the “excess” distribution rules described above if the ordinary shares are “marketable” and you make a timely “mark-to-market” election with respect to your ordinary shares. 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 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.

Alternatively, the “excess distribution” rules described above may generally be avoided by electing to treat us as a “Qualified Electing Fund,” or QEF, under Section 1295 of the Internal Revenue Code of 1986, as amended. A QEF election is available only if the U.S. Holder receives an annual information statement from the PFIC setting forth its ordinary earnings and net capital gains, as calculated for U.S. federal income tax purposes. We will not provide you with the information statement necessary to make a QEF 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.	
RBS Securities Inc.	
Thomas Weisel Partners LLC	
Cowen and Company, LLC	
Subtotal	
International Underwriters	
Morgan Stanley & Co. International plc	
Deutsche Bank Securities Inc.	
ABN AMRO Bank N.V., Hong Kong Branch	
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.

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.

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 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

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underwriters' over-allotment option is exercised in full, the total price to the public would be \$[] and the total underwriting discounts and commissions 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 valued at 1% of the total gross proceeds of this offering.

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, the selling shareholders, all of our directors and executive officers and a substantial portion of our other shareholders and optionholders have agreed (subject to certain exceptions) 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 foregoing lock-up period will be extended under certain circumstances. If (i) during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs; or (ii) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the lock-up will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, unless the extension is waived in writing by the representatives.

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

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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, 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.

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,

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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 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

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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 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

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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 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 and certain matters of U.S. federal income tax 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 LLP. 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 by Walkers.

EXPERTS

The consolidated financial statements as of June 26, 2009 and June 27, 2008 and for the years ended June 26, 2009, June 27, 2008 and June 29, 2007 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") as of June 26, 2009 and June 27, 2008, and the results of their operations and their cash flows for each of the years ended June 26, 2009, June 27, 2008 and June 29, 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.

PricewaterhouseCoopers ABAS Limited
Bangkok, Thailand
September 2, 2009

FABRINET
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 26, 2009 AND JUNE 27, 2008
(in thousands of U.S. dollars, except share data)

	June 26, 2009	June 27, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 114,845	\$ 55,682
Trade accounts receivable, net	51,783	66,057
Trade accounts receivable, related parties	12,264	30,435
Inventories, net	47,841	69,076
Deferred income taxes	431	692
Prepaid expenses and other current assets	1,218	7,046
Total current assets	228,382	228,988
Non-current assets		
Property, plant and equipment, net	56,034	59,635
Intangibles, net	1,344	1,673
Deferred income taxes	1,427	1,792
Deposits and other non-current assets	898	625
Total non-current assets	59,703	63,725
Total assets	\$ 288,085	\$ 292,713
Liabilities and shareholders' equity		
Current liabilities		
Long-term loans from banks, current portion	\$ 7,933	\$ 6,257
Trade accounts payable	51,020	54,203
Trade accounts payable, related parties	2,557	12,105
Construction payable	—	2,427
Other payable, related party, current portion	—	2,413
Income tax payable	864	2,183
Accrued payroll, profit sharing and related expenses	3,868	6,048
Deferred revenues	—	1,358
Accrued expenses	2,353	4,808
Other payables	1,417	1,873
Total current liabilities	70,012	93,675
Non-current liabilities		
Long-term loans from banks, non-current portion	19,385	23,318
Severance liabilities	2,697	2,559
Other non-current liabilities	2,486	2,596
Total non-current liabilities	24,568	28,473
Total liabilities	94,580	122,148
Commitments and contingencies (Note 19)		
Shareholders' equity		
Ordinary shares (35,000,000 shares authorized, \$0.01 par value; 30,636,622 shares and 30,044,797 shares issued and outstanding on June 26, 2009 and June 27, 2008, respectively)	306	300
Additional paid-in capital	29,633	27,915
Warrants	—	34
Retained earnings	163,566	142,316
Total shareholders' equity	193,505	170,565
Total liabilities and shareholders' equity	\$ 288,085	\$ 292,713

The accompanying notes are an integral part of these consolidated financial statements.

FABRINET
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars, except share data)

	June 26, 2009	June 27, 2008	June 29, 2007
Revenues:			
Revenues	\$ 337,846	\$ 345,071	\$ 295,338
Revenues, related parties	101,895	163,312	191,690
Income from production wind-down and transfer agreements, related party	1,358	2,715	9,115
Total revenues	441,099	511,098	496,143
Cost of revenues	(383,058)	(442,784)	(423,858)
Gross profit	58,041	68,314	72,285
Selling, general and administrative expenses	(21,960)	(21,741)	(18,036)
Restructuring charges	(2,389)	—	—
Operating income	33,692	46,573	54,249
Interest income	756	1,364	1,370
Interest expense	(1,266)	(1,547)	(2,842)
Foreign exchange gain (loss), net	360	(599)	(336)
Income before income taxes	33,542	45,791	52,441
Income tax expense	(2,238)	(3,962)	(2,702)
Net income	\$ 31,304	\$ 41,829	\$ 49,739
Earnings per share			
Basic	\$ 1.03	\$ 1.40	\$ 1.68
Diluted	1.00	1.33	1.60
Weighted average number of ordinary shares outstanding (thousands of shares)			
Basic	30,360	29,889	29,600
Diluted	31,183	31,349	31,077

The accompanying notes are an integral part of these consolidated financial statements.

FABRINET
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(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 as of 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 FASB ASC 718	—	—	(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 as of June 29, 2007	29,761,539	298	26,473	97	—	102,487	129,355
Cumulative effect adjustment of the adoption of FASB ASC 740 (Note 3)	—	—	—	—	—	(2,000)	(2,000)
Net income	—	—	—	—	—	41,829	41,829
Share-based compensation expense related to employee share option plan	—	—	1,144	—	—	—	1,144
Shares issued under employee share option plan	220,258	2	235	—	—	—	237
Shares issued upon exercise of warrant	63,000	—	63	(63)	—	—	—
Balances as of June 27, 2008	30,044,797	300	27,915	34	—	142,316	170,565
Net income	—	—	—	—	—	31,304	31,304
Share-based compensation expense related to employee share option plan	—	—	837	—	—	—	837
Shares issued under employee share option plan	557,650	6	847	—	—	—	853
Shares issued upon exercise of warrant	34,175	—	34	(34)	—	—	—
Dividends to shareholders	—	—	—	—	—	(10,054)	(10,054)
Balances as of June 26, 2009	<u>30,636,622</u>	<u>\$ 306</u>	<u>\$ 29,633</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 163,566</u>	<u>\$ 193,505</u>

The accompanying notes are an integral part of these consolidated financial statements.

FABRINET
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)

	June 26, 2009	June 27, 2008	June 29, 2007
Cash flows from operating activities			
Net income for the year	\$ 31,304	\$ 41,829	\$ 49,739
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and impairment losses	8,212	7,212	6,177
Amortization of intangibles	515	412	258
Write-off (gain) on disposal of property, plant and equipment	27	(53)	(21)
Allowance for doubtful accounts and warranties	(94)	(155)	(541)
Unrealized (gain) loss on exchange rate and fair value of derivative	(727)	27	(122)
Share-based compensation	837	1,144	811
Deferred income tax	626	(89)	8
Amortization of deferred revenues	(1,358)	(2,715)	(9,115)
Provision for uncertain tax position and severance liabilities, net of payments	57	1,062	731
Inventory obsolescence	(431)	169	916
Write-off security offering costs	4,044	—	—
Changes in operating assets and liabilities			
Trade accounts receivable	14,339	(15,612)	(3,936)
Trade accounts receivable, related parties	18,171	(4,227)	22,031
Inventories	21,666	7,194	(6,705)
Other current assets and non-current assets	1,458	(3,772)	(1,968)
Trade accounts payable	(3,183)	15,398	(24,170)
Trade accounts payable, related parties	(9,548)	3,282	(10,287)
Other payables, related party	(58)	(253)	(4,259)
Income tax payable	(1,319)	308	1,666
Deferred revenues	—	—	5,462
Accrued expenses and other payables	(4,181)	730	(431)
Net cash provided by operating activities	<u>80,357</u>	<u>51,891</u>	<u>26,244</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(7,097)	(29,047)	(12,163)
Purchase of intangibles	(186)	(956)	(657)
Purchase of assets for lease under direct financing leases	(17)	(28)	(32)
Proceeds from direct financing leases	71	130	141
Proceeds from disposals of property, plant and equipment	42	86	331
Net cash used in investing activities	<u>(7,187)</u>	<u>(29,815)</u>	<u>(12,380)</u>
Cash flows from financing activities			
Receipts from long-term loans from banks	4,000	20,000	1,000
Repayments of long-term loans from banks	(6,257)	(3,923)	(4,908)
Short-term loans from banks, net	—	(22,000)	6,400
Installment payments for production wind-down and transfer agreements and acquisitions	(2,355)	(2,240)	(15,526)
Repayment of capital lease liabilities	(23)	(297)	(221)
Proceeds from issue of ordinary shares under employee share option plan	853	237	122
Payment of dividends to shareholders	(10,054)	—	—
Net cash used in financing activities	<u>(13,836)</u>	<u>(8,223)</u>	<u>(13,133)</u>
Net increase in cash and cash equivalents	<u>59,334</u>	<u>13,853</u>	<u>731</u>
Cash and cash equivalents at beginning of year	55,682	40,873	40,063
Increase in cash and cash equivalents	59,334	13,853	731
Effect of exchange rate on cash and cash equivalents	(171)	956	79
Cash and cash equivalents at end of year	<u>\$ 114,845</u>	<u>\$ 55,682</u>	<u>\$ 40,873</u>
Supplemental disclosures			
Cash paid for			
Interest	\$ 1,249	\$ 1,822	\$ 2,654
Taxes	2,909	3,313	676
Cash received for interest	812	1,346	1,369

The accompanying notes are an integral part of these consolidated financial statements.

FABRINET
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)

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 provides precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers (OEMs) of complex products, such as optical communication components, modules and sub-systems. The Group offers a broad range of advanced optical capabilities across the entire manufacturing process, including process engineering and design for manufacturability, supply chain management, manufacturing, integration and full product assembly and test. The Group focuses primarily on the production of low-volume, high-mix products.

The Company has the following direct and indirect subsidiaries:

- Fabrinet Co., Ltd., (“Fabrinet Thailand”) incorporated in Thailand on September 27, 1999;
- Fabrinet USA, Inc., incorporated in the U.S. in the State of California on October 12, 1999;
- 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. E2O Communications Pte Ltd. and PT E2O Communications Indonesia, dissolved on March 28, 2008 and August 15, 2005, respectively;
- FBN New Jersey Manufacturing, Inc., incorporated in the U.S. in the State of Delaware on May 11, 2005;
- Fabrinet China Holdings, incorporated in Mauritius and CASIX Inc., incorporated in the People’s Republic of China, were both acquired on May 29, 2005;
- FBN Canada Manufacturing Inc., incorporated in Ottawa, Canada on February 9, 2006 and dissolved on January 22, 2008; and
- Fabrinet Pte. Ltd., incorporated in Singapore on November 14, 2007.

The Asia Pacific Growth Fund III, L.P. held 57.3%, 57.6% and 58.2% of the Company’s share capital (fully diluted) as of June 26, 2009, June 27, 2008 and June 29, 2007, 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 (“U.S. GAAP”) and include the Company and its direct and indirect subsidiaries listed in Note 1. All inter-company accounts and transactions have been eliminated.

FABRINET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)

Fiscal years

The Company utilizes a 52-53 week fiscal year ending on the Friday closest to June 30th. Historically, for comparative presentation purposes, the Company utilized a dating convention where its consolidated financial statements and notes were shown as ending on June 30. Beginning the first quarter of fiscal year 2009, the Company changed its dating convention to utilize the actual closing dates for all periods presented in its consolidated financial statements and accompanying notes. This change had no impact on the Company's financial position, results of operations, and cash flows for any of the periods presented.

Use of estimates

The preparation of the Group's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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, allowance for doubtful accounts, 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 accounts and time deposits with maturities of less than 3 months and money market accounts.

Accounts receivable

Accounts receivable are carried at anticipated realisable value. The Group assesses the collectability 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.

FABRINET
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)

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 26, 2009, the Group's cash and cash equivalents were held in financial instruments of banks with credit ratings of A minus or above as determined by Fitch Ratings.

Accounts receivable include amounts due from companies which are monitored by the Group for credit worthiness. As a result of the recent financial crisis, management has implemented a program to more closely monitor near term cash collection and credit exposures. As of June 26, 2009, the Group identified receivables of approximately \$9,000 and inventory of approximately \$12,000 relating to a significant customer representing approximately 16% of total revenues for the fiscal year ended June 26, 2009 that may be adversely affected. Management continues to monitor the exposures in collaboration with the affected customer and believes no material losses will be incurred. Accordingly, no allowance for doubtful accounts or inventory write-off related to this customer has been recorded. The loss of this or any other significant customer may have a significant adverse effect on the financial results. Accounts receivable from individual customers that were equal to or greater than 10% of accounts receivable as of June 26, 2009 and June 27, 2008 were as follows:

	<u>June 26,</u> <u>2009</u>	<u>June 27,</u> <u>2008</u>
Oclaro, Inc. [#]	22%	25%
JDS Uniphase Corporation	19	19
EMCORE Corporation [†]	14	10
Finisar Corporation	13	13
Opnext, Inc.	13	*
Intel Corporation [†]	*	19

* Less than 10% of accounts receivable in the period.

[#] Pursuant to the merger of Avanex and Bookham (both customers of the Company) on April 27, 2009, Bookham changed its name to Oclaro, Inc. These figures represent the combined receivables of Bookham, Inc and Avanex Corporation.

[†] Pursuant to two separate asset purchase agreements executed between January and April 2008, Emcore Corporation purchased certain business operations of Intel Corporation.

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.

FABRINET**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)*****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	Lower of useful life or 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.

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.

FABRINET
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)

The capitalisation 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 fiscal 2006 and fiscal 2005. 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 from the transfer date. 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 revenues primarily from the assembly of products under supply agreements with its customers, the fabrication of customized optics and glass, and income from production wind-down and transfer agreements. Revenues represent the invoiced value of products, net of trade discounts and allowances, and exclude goods and services tax. The Group recognizes revenues when 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 collectability 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. 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 entered into production wind-down and transfer agreements, which have included 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 entered into these agreements because the Group believes that providing production transfer 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. These agreements did not meet the definition of a business because the Group did not have the risk and rewards of ownership during the temporary management and wind-down period as the Group was reimbursed for all operating expenses and losses and the agreements provided for additional compensation for the transfer services provided. Because each production wind-down and transfer agreement was unique, the transactions were accounted for on a case by case basis as multiple element agreements.

The deliverables in the agreements were separated into units of accounting under the guidance of FASB ASC Subtopic 605-25, *Revenue Recognition-Multiple Element Arrangements* ("FASB ASC 605-25"). If there was objective and reliable evidence of fair value for all units of accounting in an agreement, the agreement consideration was allocated to the separate units of accounting based on each unit's relative fair value. In cases in which there was objective and reliable evidence of fair value of the undelivered item(s) but no such evidence for the delivered item(s) existed, the residual method was used to allocate the agreement consideration.

If the components of the production wind-down and transfer agreements include services and could not be separated into units of accounting, the income was deferred until the earlier of when the criteria of FASB ASC 605-25 was met or when the last undelivered element was delivered. The income was then 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.

Each production wind-down and transfer agreement involved the receipt by the Company of cash, assets and liabilities. In exchange, the Company paid cash and provided production wind-down and transfer services at its Thailand facilities. The net consideration from each agreement or, income, was calculated as the aggregate fair

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value of the cash and assets received, less the aggregate fair value of the cash paid and liabilities received or incurred. The net consideration was deferred and recognized over the estimated service and production period on a straight line basis beginning after the expiration of any contingencies.

The Group entered into three production wind down and transfer agreements with an existing customer during fiscal 2005 and 2006. The deferred revenue related to the agreements was \$0 and \$1,358 as of June 26, 2009 and June 27, 2008, respectively, with the service and production period of the final agreement ended in December 2008. The Group recorded income from production wind down and transfer agreements of \$1,358, \$2,715 and \$9,115 for the years ended June 26, 2009, June 27, 2008, and June 29, 2007, respectively.

Income taxes

In accordance with FASB ASC Topic 740, *Income Taxes* (“FASB ASC 740”), 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 that the Group makes 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.

On July 13, 2006, the FASB issued FIN 48, codified in FASB ASC 740. FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return.

Under FASB ASC 740, a company recognizes a tax benefit in the financial statements for an uncertain tax position only if management’s assessment is that the position is “more likely than not” (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term “tax position” in FASB ASC 740 refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The accounting interpretation also provides guidance on measurement methodology, derecognition thresholds, financial statement classification and disclosures, recognition of interest and penalties, and accounting for the cumulative-effect adjustment at the date of adoption.

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Employee contribution plan

The Group operates a defined contribution plan, known as a provident fund, in its Thai 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 \$1,693, \$1,572 and \$1,279 in the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively. The Group sponsors the Fabrinet U.S. 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.

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 of 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 \$29, \$38 and \$497 were reversed to the consolidated statement of operations for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, 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 FASB ASC Topic 718, *Compensation—Stock Compensation* ("FASB ASC 718") on a prospective basis.

Net income per ordinary share

Net income per share is calculated in accordance with FASB ASC Subtopic 260-10, *Earnings Per Share* ("FASB ASC 260-10"), and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 98, or SAB 98. Under the provisions of FASB ASC 260-10 and SAB 98, basic net income per share is computed by

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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 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

In June 2009, the FASB issued Accounting Standards Update No. 2009-01, *Generally Accepted Accounting Principles (Topic 105)* (formerly Statement of Financial Accounting Standard No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*), which identifies the FASB Accounting Standards Codification (“Codification”) as the source of authoritative U.S. generally accepted accounting principles (“U.S. GAAP”) recognized by the FASB to be applied to nongovernmental entities and rules and interpretive releases of the SEC as authoritative U.S. GAAP for SEC registrants. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is effective for the Company beginning in fiscal 2010 and will not have an impact on its consolidated financial statements.

In June 2009, the FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (“SFAS 167”). SFAS 167 amends the evaluation criteria to identify the primary beneficiary of a variable interest entity provided by FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities—An Interpretation of ARB No. 51*. Additionally, SFAS 167 requires ongoing reassessments of whether an enterprise is the primary beneficiary of the variable interest entity. SFAS 167 is effective for fiscal years beginning after November 15, 2009 and is currently not included in the Codification. The Company will adopt SFAS 167 in fiscal 2011 and is currently evaluating the impact SFAS 167 will have on its consolidated financial statements.

In June 2009, the FASB issued Statement No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (“SFAS 166”). SFAS 166 eliminates the concept of a “qualifying special-purpose entity” from Statement 140 and changes the requirements for derecognizing financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009 and is currently not included in the Codification. The Company will adopt SFAS 166 in fiscal 2011 and is currently evaluating the impact SFAS 166 will have on its consolidated financial statements.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events*, codified in FASB ASC Subtopic 855-10, *Subsequent Events*. This guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. This guidance also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. This guidance is effective for interim and annual periods ending after June 15, 2009 and became effective for the Company during fiscal 2009. The adoption of SFAS 165 did not have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position (“FSP”) No. FAS 115-2 and FSP No. FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, codified in FASB ASC Subtopic 320-10, *Investments—Debt and Equity Securities*. This guidance amends the other-than-temporary impairment accounting guidance for debt securities and requires that other-than-temporary impairment be separated into the amount of the total impairment related to credit losses and the amount of the total impairment related to all other

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factors. The amount of the total other-than-temporary impairment related to credit losses is recognized in earnings and the amount related to all other factors is recognized in other comprehensive income. This guidance is effective for interim and annual reporting periods ending after June 15, 2009 and became effective for the Company during fiscal 2009. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ("FSP 03-6-1"), codified in FASB ASC Subtopic 260-10, *Earnings Per Share*. This guidance states that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and should be included in the computation of earnings per share using the two-class method outlined in ASC Subtopic 260-10. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008 and requires that all prior period earnings per share data be adjusted retrospectively to conform to the provisions of the guidance. The Company is currently evaluating the impact of the adoption of this guidance.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*, codified in FASB ASC Subtopic 815-10, *Derivatives and Hedging*. This guidance requires disclosure of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This guidance is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. This guidance was effective for the Company in the third quarter of fiscal 2009 and did not have a material impact on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, codified in FASB ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, to provide enhanced guidance when using fair value to measure assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. This guidance 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. This guidance was adopted by the Company on June 28, 2008 and did not have a material impact on its consolidated financial statements.

In February 2008, the FASB issued FSP No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, and FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*, codified in FASB ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*. This guidance amends SFAS 157 to exclude FASB Statement No. 13, *Accounting for Leases*, and its related interpretive accounting pronouncements that address leasing transactions and it delays the effective date of SFAS 157 for certain non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008. This change is effective for the Company beginning in fiscal 2010.

In April 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, codified in FASB ASC Section 820-10-65, *Fair Value Measurements and Disclosures*. The Staff Position amends ASC Subtopic 820-10 to provide additional guidance on determining fair value when the

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volume and level of activity for the asset or liability have significantly decreased when compared with normal market activity for the asset or liability. The Staff Position is effective for interim and annual reporting periods ending after June 15, 2009 and became effective for the Company during fiscal 2009.

The Company has adopted ASC 820-10 and the related FASB staff positions except for those items specifically deferred under the Staff Position. The Company does not believe that the full adoption of ASC 820-10 and the related FASB staff positions will have a material impact on its consolidated financial statements.

In December 2007, FASB issued FASB ASC Topic 805, *Business Combinations*. This guidance introduces significant changes in the accounting and reporting for business combinations and continues the movement toward the greater use of fair values in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements at the acquisition date and in subsequent periods. Further, certain of the changes will introduce more volatility into earnings and thus may impact a company's acquisition strategy. In April 2009, the FASB issued FSP No. FAS 141(R)-1 *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, codified in FASB ASC Topic 805. This guidance addresses application issues raised about the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008 and will impact acquisitions made on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This guidance is effective for the Company beginning in fiscal 2010. The Company is currently evaluating the impact FASB ASC Topic 805 will have on its consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*, codified in FASB ASC Topic 275, *Risks and Uncertainties* and FASB ASC Topic 350, *Intangibles—Goodwill and Other*. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB ASC Topic 350. This guidance is intended to improve the consistency between the useful life of an intangible asset determined under FASB ASC Topic 350 and the period of expected cash flows used to measure the fair value of the asset under FASB ASC Topic 805 and other U.S. generally accepted accounting principles. FASB ASC Topic 275 and FASB ASC Topic 350 are effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. FASB ASC Topic 275 and FASB ASC Topic 350 are effective for the Company beginning in fiscal 2010. The Company is currently evaluating the impact FASB ASC Topic 275 and FASB ASC Topic 350 will have on its consolidated financial statements.

3. Income taxes

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 a twenty year period ending August 24, 2019.

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Thailand

Fabrinet Co., Ltd. is the Company's direct subsidiary where the majority of operations and production takes place, and has the applicable income tax rate of 30%.

People's Republic of China

CASIX, the Company's wholly owned indirect subsidiary, qualifies as a foreign investment production enterprise in the Fuzhou, PRC economic development zone where, through December 31, 2007, the prevailing income tax rate was 24%. However, because CASIX is an export company with an annual export value over 70% of total production value, CASIX qualified for a 50% income tax rate reduction, to 12% annually. For the six month period ended December 28, 2007 and the fiscal year ended June 29, 2007, the applicable income tax rate for CASIX was 12%. The 50% income tax rate reduction resulted in an income tax benefit for CASIX of \$510 and \$882 for the six month period ended December 28, 2007 and the fiscal year ended June 29, 2007, respectively.

During fiscal 2007, the PRC adopted the Unified Enterprise Income Tax Law, effective as of January 1, 2008. Pursuant to the new law, the statutory enterprise income tax rate has been increased to 25%. The Group has measured changes to deferred tax balances assuming the previous tax rate of 12% for the deferred tax balances expected to be utilized before January 1, 2008. Deferred tax balances that will be utilized after January 1, 2008 are calculated using the tax rate of 25%.

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 \$24,887, \$30,233 and \$39,220 in the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively.

The Group's income tax expense consisted of the following:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Current	\$1,612	\$4,051	\$2,694
Deferred	626	(89)	8
Total income tax expense	<u>\$2,238</u>	<u>\$3,962</u>	<u>\$2,702</u>

The reconciliation between the Group's taxes that would arise by applying the basic tax rate of the country of the Group's principal operations, Thailand, to the Group's effective tax charge is shown below:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Profit before tax	\$33,542	\$45,791	\$ 52,441
Tax calculated at a corporate income tax rate of 30 percent	10,063	13,737	15,732
Effect of income taxes from locations with tax rates different from Thailand	(182)	(823)	(1,199)
Income not subject to tax*	(7,466)	(9,070)	(11,776)
Income tax on unremitted earnings	152	613	260
Impact of China tax rate change on deferred taxes	—	—	(718)
Others	(329)	(495)	403
Corporate income tax charge	<u>\$ 2,238</u>	<u>\$ 3,962</u>	<u>\$ 2,702</u>

* Income not subject to taxes relates to income earned in the Cayman Islands.

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As of June 26, 2009, there was no tax loss carried forward. Details of the carried forward tax losses are as follows:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Brought forward tax losses	\$ —	\$ 420	\$ 1,562
Carry forward tax losses utilized in the year	—	(420)	(1,142)
Carry forward tax losses	—	—	420

The Group's deferred tax assets and deferred tax liabilities at each balance sheet date are as follows:

	Year Ended	
	June 26, 2009	June 27, 2008
<i>Deferred tax assets:</i>		
Depreciation	\$ 860	\$ 949
Accrued liabilities	252	641
Severance liability	64	—
Reserve and allowance	701	728
Deferred revenues	—	133
Unrealized loss on forward contracts	—	268
Others	12	10
Total deferred tax assets	<u>\$1,889</u>	<u>\$2,729</u>
<i>Deferred tax liabilities:</i>		
Severance liability	—	(77)
Deferred cost of service and expense	(18)	(168)
Others	(13)	—
Total deferred tax liabilities	<u>\$ (31)</u>	<u>\$ (245)</u>
Net deferred tax assets	<u>\$1,858</u>	<u>\$2,484</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:

	Year Ended	
	June 26, 2009	June 27, 2008
Deferred income tax assets—current	\$ 443	\$ 842
Deferred income tax liabilities—current	(19)	(150)
Current deferred income tax—net	424	692
Deferred income tax assets—non current	1,446	1,887
Deferred income tax liabilities—non current	(12)	(95)
Non current deferred income tax—net	1,434	1,792
Net deferred income tax assets	<u>\$1,858</u>	<u>\$2,484</u>

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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; unremitted earnings for Fabrinet Thailand totalled \$13,199 and \$10,986 as of June 26, 2009 and June 27, 2008, respectively. Deferred tax liabilities of \$267 and \$167 have been established for withholding tax on the unremitted earnings of CASIX Inc. and were included as part of Income tax payable as of June 26, 2009 and June 27, 2008, respectively.

Uncertain Income Tax Positions

Effective July 1, 2007, the company implemented FASB ASC Topic 740, *Income Taxes* (“FASB ASC 740”).

Upon adoption of FASB ASC 740 on July 1, 2007, the company recorded a cumulative-effect adjustment that reduced retained earnings by \$2,000. Interest and penalties related to uncertain tax positions are recognized in income tax expense. We have approximately \$794 and \$693 of accrued interest and penalties related to uncertain tax positions on the consolidated balance sheet as of June 26, 2009 and June 27, 2008, respectively. We recorded interest and penalties of \$101 for the year ended June 26, 2009 and \$213 for the year ended June 27, 2008 through the consolidated statement of operations. With regard to the Thailand jurisdiction, tax years 2004 through 2008 remain open to examination by the local authorities.

The following table indicates the changes to the company’s unrecognized tax benefits for the year ended June 26, 2009 and June 27, 2008.

	June 26, 2009	June 27, 2008
Beginning balance	\$1,737	\$1,520
Additions during the year	—	217
Additions for tax positions of prior years	—	—
Reductions for tax positions of prior years	(186)	—
Ending balance	<u>\$1,551</u>	<u>\$1,737</u>

4. 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.

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.

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Net income attributable to shareholders	\$31,304	\$41,829	\$49,739
Weighted average number of ordinary shares outstanding (thousands of shares)	30,360	29,889	29,600
Basic earnings per ordinary share (in dollars)	\$ 1.03	\$ 1.40	\$ 1.68

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Diluted earnings per ordinary share is calculated as follows:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Net income used to determine diluted earnings per ordinary share	\$31,304	\$41,829	\$49,739
Weighted average number of ordinary shares outstanding (thousands of shares)	30,360	29,889	29,600
Adjustment for incremental shares arising from the assumed exercise of share options and share warrants (thousands of shares)	823	1,460	1,477
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	31,183	31,349	31,077
Diluted earnings per ordinary share (in dollars)	\$ 1.00	\$ 1.33	\$ 1.60

5. Cash and cash equivalents

	June 26, 2009	June 27, 2008
Cash at banks and on hand	\$ 24,666	\$ 33,750
Short term bank deposits	90,179	21,932
Total cash and cash equivalents	<u>\$ 114,845</u>	<u>\$ 55,682</u>

The weighted average effective interest rate on short term bank deposits was 1.31% and 3.98% per annum for the years ended June 26, 2009 and June 27, 2008, respectively.

6. Allowance for doubtful accounts

The activities and balances for allowance for doubtful accounts as of June 26, 2009, June 27, 2008 and June 29, 2007 are as follows:

	Balance at beginning	Credited to income	Balance at end of period
Allowance for doubtful accounts			
Year ended June 26, 2009	\$ 81	\$ (65)	\$ 16
Year ended June 27, 2008	198	(117)	81
Year ended June 29, 2007	\$ 242	\$ (44)	\$ 198

7. Inventories

	June 26, 2009	June 27, 2008
Raw materials	\$26,922	\$34,470
Work in progress	15,961	28,875
Finished goods	5,290	3,564
Goods in transit	2,968	5,898
	51,141	72,807
Less: Inventory obsolescence	(3,300)	(3,731)
Inventories, net	<u>\$47,841</u>	<u>\$69,076</u>

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8. Write-off of deferred security offering costs

The Company filed its initial Form S-1 related to its planned initial public offering (IPO) of ordinary shares with the Securities and Exchange Commission (SEC) on November 7, 2007 and filed amendment No. 1 on January 30, 2008. IPO costs of \$4,044 directly associated with the Company's filing had been capitalized and recorded as deferred securities offering costs included in prepayment expenses and other current assets on the balance sheet as of June 27, 2008. Due to market conditions, the Company decided, as of September 26, 2008, to postpone its proposed offering, and as a result, expensed \$4,044 of offering costs capitalized during the year ended June 27, 2008, related to its initial filing and amendment No. 1 in accordance with SEC Staff Accounting Bulletin (SAB) Topic 5A. The write-off was charged to selling, general and administrative expense.

9. Property, plant and equipment, net

The components of property, plant and equipment, net were as follows:

	<u>Land</u>	<u>Building and building improvement</u>	<u>Manufacturing equipment</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Computers</u>	<u>Construction and machinery under installation</u>	<u>Total</u>
As of June 27, 2008								
Cost	\$ 5,738	\$ 39,403	\$ 37,867	\$ 3,493	\$ 739	\$ 9,727	\$ 668	\$ 97,635
Less: Accumulated depreciation	—	(3,750)	(27,167)	(1,309)	(462)	(5,312)	—	(38,000)
Net book value	<u>\$ 5,738</u>	<u>\$ 35,653</u>	<u>\$ 10,700</u>	<u>\$ 2,184</u>	<u>\$ 277</u>	<u>\$ 4,415</u>	<u>\$ 668</u>	<u>\$ 59,635</u>
As of June 26, 2009								
Cost	\$ 5,738	\$ 39,718	\$ 39,324	\$ 3,986	\$ 808	\$ 10,116	\$ 12	\$ 99,702
Less: Accumulated depreciation	—	(5,668)	(29,287)	(1,739)	(581)	(6,393)	—	(43,668)
Net book value	<u>\$ 5,738</u>	<u>\$ 34,050</u>	<u>\$ 10,037</u>	<u>\$ 2,247</u>	<u>\$ 227</u>	<u>\$ 3,723</u>	<u>\$ 12</u>	<u>\$ 56,034</u>

Depreciation expense amounted to \$8,212, \$7,212 and \$6,177 for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively. Cost of assets held under capital leases related to vehicles at cost \$0, \$65 and \$219, computer at cost \$0, \$537 and \$537 and total accumulated amortization under capital leases of \$0, \$363 and \$348 as of June 26, 2009, June 27, 2008 and June 29, 2007, respectively.

Depreciation expense is allocated between cost of revenues and selling, general and administrative expenses in the consolidated statements of operations.

The impairment charges are included in selling, general and administrative expenses in the consolidated statements of operations.

The cost of fully depreciated property, plant and equipment written-off during the years ended June 26, 2009, June 27, 2008 and June 29, 2007 amounted to \$695, \$478 and \$274, respectively.

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10. Intangibles

The following tables present details of the Group's intangibles:

	<u>June 26, 2009</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Software	\$ 3,054	\$ (1,710)	\$ 1,344
Total intangibles	<u>\$ 3,054</u>	<u>\$ (1,710)</u>	<u>\$ 1,344</u>
	<u>June 27, 2008</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Software	\$ 2,867	\$ (1,194)	\$ 1,673
Total intangibles	<u>\$ 2,867</u>	<u>\$ (1,194)</u>	<u>\$ 1,673</u>

The Group recorded amortization expense relating to intangibles of \$515, \$412, and \$258 for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively.

Based on the carrying amount of intangibles as of June 26, 2009, the estimated future amortization at each fiscal year ended June is as follows:

2010	\$ 487
2011	411
2012	298
2013	137
2014	11
Total amortization	<u>\$ 1,344</u>

11. Borrowings

Bank borrowings and long-term debt related to continuing operations was comprised of the following:

	<u>June 26, 2009</u>	<u>June 27, 2008</u>
Short-term bank borrowings	\$ —	\$ —
Long-term loans from banks	27,318	29,575
Total borrowings	<u>\$ 27,318</u>	<u>\$ 29,575</u>
<i>Long-term loan from banks consisted of:</i>		
Current portion	\$ 7,933	\$ 6,257
Non-current portion	19,385	23,318

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As of June 26, 2009 and June 27, 2008, the Group had outstanding borrowings under long-term loan agreements with banks totalling \$27,318 and \$29,575, respectively, which consisted of:

Contract No.	Amount		Interest rate per annum (%)	Conditions	Repayment term
	June 26, 2009	June 27, 2008			
1	\$20,083	\$17,000	SIBOR + 1.5% per annum	Repayable commencing from May 2009 in quarterly instalments within 8 years	May 2009 - February 2015
2	425	1,425	LIBOR + 2.25% per annum	Repayable in quarterly installments within 4 years	March 2005 - March 2010
3	2,000	3,000	SIBOR + 1.5% per annum	Repayable in semi-annual installments within 7 years	April 2004 - February 2011
4	3,310	4,650	SIBOR + 1.5% per annum	Repayable in semi-annual installments within 7 years	June 2005 - November 2011
5	1,500	3,500	LIBOR + 1.5% per annum	Repayable in quarterly installments within 2 years	March 2008 - February 2010
Total	<u>\$27,318</u>	<u>\$29,575</u>			

Certain of the long-term loans are secured by certain property, plant and equipment. The carrying amount of assets secured and pledged as collateral was \$38,264 and \$42,010 as of June 26, 2009 and June 27, 2008, respectively. The Group has property, plant and equipment totaling \$2,473 and \$3,543 that cannot be pledged with other financial institutions as of June 26, 2009 and June 27, 2008, respectively. The carrying amounts of borrowings approximate their fair value.

Certain of the long term loans prescribe maximum ratios of debt to equity and minimum levels of debt service coverage ratios.

As of June 26, 2009 and June 27, 2008, the Group was in compliance with its long-term loan agreements.

In addition to financial ratios, certain of the Group's packing credits and long-term loans include customary events of default. 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.

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The movements of long-term loans for the period ended were as follows:

	June 26, 2009	June 27, 2008
Opening net book amount	\$29,575	\$13,498
Additional loans during the year	4,000	20,000
Repayment during the year	(6,257)	(3,923)
Closing net book amount	<u>\$27,318</u>	<u>\$29,575</u>

As of June 26, 2009, future maturities of long-term debt are as follows at each fiscal year ending June:

2010	\$ 7,933
2011	6,008
2012	4,298
2013	3,668
2014	3,668
Thereafter	1,743
Total	<u>\$27,318</u>

Credit facilities:

Undrawn available credit facilities as of June 26, 2009 and June 27, 2008 totaled:

	June 26, 2009	June 27, 2008
Bank borrowings:		
Short-term loans	\$49,888	\$ 49,961
Long-term loans	1,000	5,000

12. Severance liabilities

	June 26, 2009	June 27, 2008
At the beginning of the fiscal year	\$2,559	\$1,953
Charged to statement of operations	138	606
At the end of the fiscal year (June)	<u>\$2,697</u>	<u>\$2,559</u>

Severance payments of \$0, \$0 and \$5 were paid in the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively.

The amount recognized in the balance sheet at fiscal year end is determined as follows:

	June 26, 2009	June 27, 2008
Present value of defined benefit obligation	\$2,697	\$2,559
Liability in balance sheet	<u>\$2,697</u>	<u>\$2,559</u>

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The amount recognized in the statement of operations is as follows:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Current service cost	\$ 364	\$ 397	\$ 381
Interest cost	156	118	95
Benefit paid	—	—	(5)
Actuarial (gain)/loss on obligation	(382)	91	260
Total included in staff costs	<u>\$ 138</u>	<u>\$ 606</u>	<u>\$ 731</u>

The principal actuarial assumptions used were as follows:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Discount rate (percent)	4.5	6.4	6.0
Future salary increases (percent)	4.3	4.7	4.6

13. Restructuring

As part of the Group's ongoing focus on cost efficiencies in all areas of its business, together with the need to align the business in response to the recent global economic downturn, the Group implemented a restructuring plan. During the third quarter of fiscal 2009, the Group incurred restructuring expenses of \$2,389 for severance cost and benefits incurred for the termination of 189 employees, which were recorded in fiscal 2009 in restructuring charges.

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14. Share-based compensation and warrants

*Share-based compensation**Adoption of FASB ASC 718*

Effective July 1, 2006, the Group adopted the fair value recognition provisions of FASB ASC Topic 718, *Compensation—Stock Compensation* (“FASB ASC 718”). Under the fair value recognition provisions of FASB ASC 718, the Group 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. Awards granted (or modified, repurchased, or cancelled) after the adoption of FASB ASC 718 are accounted for under the provisions of FASB ASC 718. FASB ASC 718 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 fiscal years 2009, 2008 and 2007 was as follows:

	June 26, 2009	June 27, 2008	June 29, 2007
Share-based compensation expense by type of award:			
Employee share options			
Total share-based compensation expense	\$ 837	\$ 1,144	\$ 811
Tax effect on share-based compensation expense	—	—	—
Net effect on share-based compensation expense	<u>\$ 837</u>	<u>\$ 1,144</u>	<u>\$ 811</u>

Share-based compensation expense was recorded in the consolidated statements of operations as follows: cost of revenues of \$449, \$593 and \$373 for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively, and SG&A expenses of \$388, \$551, and \$438 for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively. The Group did not capitalize any share-based compensation expense as part of any assets during the years ended June 26, 2009, June 27, 2008 and June 29, 2007.

FASB ASC 718 requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures differ from those estimates.

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 and on August 28, 2008, the board of directors approved an amendment of the Plan to increase the number of ordinary shares reserved under the Plan by 60,000 ordinary shares, such that the aggregate number of shares reserved under the 1999 Share Option Plan is 3,502,857 shares.

As of June 26, 2009, Fabrinet had 128,357 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. Options generally vest and become exercisable over four years and expire, if not exercised, within 7 years of the grant date. In the case of a grantee’s

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first grant, 25 percent of the underlying shares subject to option vest 12 months after the grant date and 1/48 of the underlying shares vest each of the following thirty-six months. In the case of any additional grants to a grantee, 1/48 of the underlying shares subject to option vest each month for four years, commencing one month after the grant date. During the years ended June 26, 2009, June 27, 2008 and June 29, 2007, the Group granted options to purchase an aggregate of 108,600, 145,100 and 287,600 ordinary shares, respectively, with an estimated total grant date fair value of \$533, \$1,227 and \$1,888, respectively, and a weighted average grant date fair value of \$4.91, \$8.45 and \$6.56 per share, respectively.

The weighted average exercise price of options granted during the year ended June 26, 2009 was \$5.57 per share. The total fair value of shares vested during the years ended June 26, 2009, June 27, 2008 and June 29, 2007 was \$1,186, \$2,261 and \$3,312, respectively. The total intrinsic value of options exercised during the years ended June 26, 2009, June 27, 2008 and June 29, 2007 was \$2,632, \$1,690 and \$1,293, 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 one warrant to purchase ordinary shares was \$853 during the year ended June 26, 2009.

As of June 26, 2009, \$596 of estimated share-based compensation expense related to share options remains to be recorded. That cost is expected to be recorded over an estimated amortization period of 2.28 years.

Determining Fair Value

Valuation Method—The Group estimated the fair value of the ordinary shares to be used in the Black-Scholes-Merton (“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 factor through June 29, 2007, noting this discount factor was removed during the year ended June 27, 2008 as the Group was progressing with its initial public offering and a discount was no longer deemed appropriate. For fiscal 2009, the Group did not apply a discount to any of its option grants.

Expected Dividend—The Group’s expected dividend rate was zero prior to our first dividend declaration on October 24, 2008 as we did not historically pay cash dividends on our ordinary shares and did not anticipate doing so for the foreseeable future for grants issued prior to October 24, 2008. For grants issued subsequent to October 24, 2008, we used an annualized dividend yield based on the per share dividend declared by our Board of Directors.

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 FASB ASC 718.

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 share 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.

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Vesting Period—The Group’s share options generally vest and become exercisable over a four-year period, which is generally the requisite service period, and have a 7 year expiration period. For an individual’s initial grant, 25 percent of the shares subject to options vest 12 months after the vesting commencement date and 1/48 of the shares vest each month for the thirty-six months thereafter. In the case of any additional grants to an individual, 1/48 of the underlying shares subject to option vest each month for four years, commencing one month after the grant date.

Fair Value—The fair value of the Group’s share options granted to employees for the years ended June 26, 2009, June 27, 2008 and June 29, 2007 was estimated using the following weighted-average assumptions:

	June 26, 2009	June 27, 2008	June 29, 2007
Dividend yield	5.28%	—	—
Expected volatility	77.4%	60.5%	63%
Risk-free rate of return (percent)	2.80	3.51	4.76
Expected term (in years)	4.55	4.55	4.53

The following summarizes activities under the 1999 Share Option Plan:

	Number of shares underlying options			Weighted-average exercise price per share		
	Year Ended			Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007	June 26, 2009	June 27, 2008	June 29, 2007
Shares underlying options outstanding at beginning of the year	1,619,988	1,725,575	1,595,138	\$ 2.20	\$ 1.85	\$ 1.51
Granted						
—at below fair market value	108,600	145,100	287,600	5.57	4.82	3.36
Exercised	(557,650)	(220,258)	(117,838)	1.53	1.08	1.02
Forfeited	(68,954)	(22,729)	(23,833)	4.50	3.50	2.24
Expired	(78,392)	(7,700)	(15,492)	2.06	1.75	1.70
Shares underlying options outstanding at end of the year	<u>1,023,592</u>	<u>1,619,988</u>	<u>1,725,575</u>	<u>2.77</u>	<u>2.20</u>	<u>1.84</u>
Shares underlying options exercisable at end of the year	<u>760,897</u>	<u>1,217,581</u>	<u>1,179,420</u>	<u>\$ 2.20</u>	<u>\$ 1.76</u>	<u>\$ 1.51</u>

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The following summarizes information for share options outstanding as of June 26, 2009:

Number of shares underlying options	Exercise price	Weighted average remaining contractual life (years)
256,500	\$ 1.50	1.45
204,150	1.75	2.62
62,325	2.00	3.23
49,308	2.25	2.57
20,488	2.75	4.01
49,600	3.00	4.25
182,021	3.50	4.45
3,600	4.00	4.91
29,000	4.25	5.18
29,200	4.75	5.43
35,200	5.00	5.64
15,800	5.25	5.87
60,000	5.50	6.17
26,400	5.75	6.36
<u>1,023,592</u>		

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 vested as shares were sold to third parties or at a rate of one ordinary share subject to the warrant for every four ordinary shares that vested 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 was not tied to his continued service as a director or employee. The Group accounted for the contingent warrant in accordance with FASB ASC Subtopic 815-40, *Derivatives and Hedging—Contracts in Entity's Own Equity* ("FASB ASC 815-40"). The warrant was only settled by the issuance of ordinary shares. Pursuant to the guidance, the contingent warrant was accounted for as issued on the date of grant in March 2000 at fair value and was recorded as a dividend in shareholders equity. Subsequent exercises were recorded as a reclassification from warrant to ordinary shares. As of June 27, 2008, the Group had reserved 34,175 ordinary shares for future exercise of the warrant. As of June 26, 2009, there was no outstanding warrant due to its exercise in full.

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The following summarizes the activities relating to the warrant:

	Number of shares underlying options			Weighted-average exercise price per share		
	Year Ended			Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007	June 26, 2009	June 27, 2008	June 29, 2007
Shares underlying warrant at beginning of the year	34,175	97,175	180,718	\$ 0.01	\$ 0.01	\$ 0.01
Exercised	(34,175)	(63,000)	(83,543)	\$ 0.01	\$ 0.01	\$ 0.01
Shares underlying warrant at end of the year	—	34,175	97,175	—	\$ 0.01	\$ 0.01
Exercisable shares underlying warrant at end of the year	—	1,171	—	\$ —	\$ 0.01	\$ 0.01

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.

In the year ended June 29, 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.

In the year ended June 27, 2008, warrant and option holders exercised 63,000 shares under the warrant and options to purchase 220,258 shares, resulting in 283,258 ordinary shares being issued for consideration of \$0.01 per share for the warrant and a weighted average exercise price of \$1.08 per share for the options. All issued shares are fully paid.

In the year ended June 26, 2009, warrant and option holders exercised 34,175 shares under the warrant and options to purchase 557,650 shares, resulting in 591,825 ordinary shares being issued for consideration of \$0.01 per share for the warrant and a weighted average exercise price of \$1.53 per share for the options.

16. Dividend payment

At the meeting of the Board of Directors of Fabrinet held on October 16, 2008, the Board declared a cash dividend of \$0.33 per share. The dividend was paid to all shareholders on the register on October 24, 2008 and the dividend of approximately \$10 million was paid on October 28, 2008 and recorded in fiscal 2009.

17. Related party transactions and balances

JDS Uniphase Corporation, a customer and shareholder of Fabrinet, held 6.4%, 6.4%, and 6.5% of the Company's share capital (fully diluted) as of June 26, 2009, June 27, 2008 and June 29, 2007, respectively. A representative from JDS Uniphase Corporation served as a director of Fabrinet until August 2007.

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Frank H. Levinson, former Chairman of the Board and Chief Technical Officer of Finisar Corporation (“Finisar”) and a member of Finisar’s board of directors until August 29, 2008, is a member of the board of directors of Fabrinet. Finisar purchased products from the Company totaling \$12,590, and the Company recorded purchases of \$8,272 from Finisar during the two months ended August 29, 2008. As of August 29, 2008, Finisar owed the Company \$9,651, and the Company owed Finisar approximately \$6,512. Because Mr. Levinson was not an officer, director, employee or shareholder of Finisar, as of June 26, 2009, Finisar is no longer a related company.

Asia Pacific Growth Fund III, L.P. held 57.3%, 57.6% and 58.2% of the Company’s share capital (fully diluted) As of June 26, 2009, June 27, 2008 and June 29, 2007, 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:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
Revenues			
Sales of goods:			
JDS Uniphase Corporation	\$ 89,305	\$ 100,067	\$ 118,829
Finisar Corporation	12,590	63,245	72,861
	<u>\$ 101,895</u>	<u>\$ 163,312</u>	<u>\$ 191,690</u>
Cost of revenues			
Purchases of goods:			
JDS Uniphase Corporation	\$ 24,895	\$ 37,084	\$ 39,231
Finisar Corporation	8,272	37,768	39,459
	<u>\$ 33,167</u>	<u>\$ 74,852</u>	<u>\$ 78,690</u>
		June 26, 2009	June 27, 2008
Trade accounts receivable			
JDS Uniphase Corporation		\$12,264	\$ 18,414
Finisar Corporation		—	12,021
		<u>\$12,264</u>	<u>\$ 30,435</u>
Trade accounts payable			
JDS Uniphase Corporation		\$ 2,557	\$ 5,403
Finisar Corporation		—	6,702
		<u>\$ 2,557</u>	<u>\$ 12,105</u>
Other payables			
JDS Uniphase Corporation—current portion		\$ —	\$ 2,413
JDS Uniphase Corporation—non-current portion		—	—
		<u>\$ —</u>	<u>\$ 2,413</u>

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(in thousands of U.S. dollars)****18. 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. The plans were terminated in the three months ended March 27, 2009. Charges to the income statement for distributions to employees and corporate officers under these plans were \$2,916, \$5,045 and \$5,214 during the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively. Payments under the plans are made in the quarter following the quarter in which the bonus is earned.

19. Commitments and contingencies***Bank guarantees***

As of June 26, 2009 and June 27, 2008, there were outstanding bank guarantees given by banks on behalf of Fabrinet Thailand for electricity usage and other normal business amounting to \$617 and \$627, 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 \$1,706, \$1,680 and \$1,490 for the years ended June 26, 2009, June 27, 2008 and June 29, 2007, respectively.

As of June 26, 2009, the future minimum lease payments due under non-cancelable leases are as follows at each fiscal year end in June:

2010	\$ 1,729
2011	1,457
2012	1,444
2013	1,444
2014	942
Total minimum operating lease payments	<u>\$ 7,016</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.

As of June 27, 2008, there was an outstanding commitment to a third party relating to the development of a new factory site of \$215. As of June 26, 2009, there was no outstanding commitment to a third party relating to the development of a new factory site.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)**20. Business segments and geographic information**

The Group evaluates its reportable segments in accordance with FASB ASC Subtopic 280-10, *Segment Reporting* (“FASB ASC 280-10”). 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 26, 2009, 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 three geographic regions: North America, Asia-Pacific and Europe. The following table presents total revenues by geographic regions:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
North America	\$271,148	\$ 318,321	\$ 322,573
Asia-Pacific	151,350	156,073	154,072
Europe	18,601	36,704	19,498
	<u>\$441,099</u>	<u>\$ 511,098</u>	<u>\$ 496,143</u>

Total revenues are attributed to a particular geographic area based on the location to which the customer’s order is shipped. The Group has approximately \$110 of long-lived assets based in North America, with the substantial remainder of its assets based in the Asia region.

Significant customers

Total revenues, by percentage, from individual customers representing 10% or more of total revenues in the respective periods were as follows:

	Year Ended		
	June 26, 2009	June 27, 2008	June 29, 2007
JDS Uniphase Corporation	20%	20%	26%
Oclaro, Inc [#]	20	22	26
EMCORE Corporation	16	*	*
Finisar Corporation	15	12	15
Opnext, Inc	11	11	12

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

[#] Pursuant to the merger of Avanex and Bookham (both customers of the Company) on April 27, 2009, Bookham changed its name to Oclaro, Inc. These figures represent the combined revenues of Bookham, Inc and Avanex Corporation.

The loss of any single significant customer could have a material adverse effect on the Group’s results from operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)

21. 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. A minority of sales and purchases and a majority of labor and overhead costs are entered into in foreign currencies. In order to manage the risks arising from fluctuations in currency exchange rates, the Group uses derivative financial instruments. Trading for speculative purposes is prohibited under company policies.

The Group enters into short-term forward foreign currency contracts to help manage currency exposures associated with certain assets and liabilities. The forward exchange contracts have generally ranged from one to six 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 the Thai baht and the RMB.

As of June 26, 2009 and June 27, 2008 the Group had outstanding foreign currency assets and liabilities as follows:

	June 26, 2009		June 27, 2008	
	Currency	\$	Currency	\$
Assets				
Thai baht	110,018	3,228	137,845	4,104
Chinese renminbi	53,758	7,868	90,936	13,253
		<u>11,096</u>		<u>17,357</u>
Liabilities				
Thai baht	295,114	8,659	499,321	14,865
Chinese renminbi	11,831	1,740	19,379	2,822
		<u>10,399</u>		<u>17,687</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. The Group manages its exposure to fluctuation in foreign exchange rates by the use of foreign currency contracts and offsetting assets and liabilities denominated in the same currency in accordance with management's policy. As of June 26, 2009, there were \$3,000 selling forward contracts outstanding on the Thai baht payables. As of June 27, 2008, there were \$18,000 selling forward contracts outstanding on the Thai baht payables, \$4,000 selling forward contract outstanding to fix the Thai baht amount to be received in relation to US\$ long-term loan proceeds, and CAD \$2,425 buying forward contract outstanding for CAD payment to a vendor.

FABRINET
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE YEARS ENDED JUNE 26, 2009, JUNE 27, 2008 AND JUNE 29, 2007
(in thousands of U.S. dollars)

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. As of June 26, 2009 and June 27, 2008, there was no outstanding forward contract in relation to the RMB.

Interest Rate Risk

The Group's principal interest bearing assets are time deposits held with high quality financial institutions. The Group's principal interest bearing liabilities are bank loans which bear interest at floating rates.

22. 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
Fabrinet Pte. Ltd.	Sales and administrative support services and supply chain sourcing center	Singapore	100

All subsidiaries are unlisted.

23. Subsequent events

In the preparation of its consolidated financial statements, the Company considered subsequent events through September 2, 2009, which is the date the Company's consolidated financial statements are issued.

A dividend of \$1.00 per ordinary share was declared on August 20, 2009 and paid on September 1, 2009. The record date for determining dividend entitlements was August 28, 2009.

FABRINET
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 25, 2009 AND JUNE 26, 2009
(in thousands of U.S. dollars, except share data)

	September 25, 2009	June 26, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 92,903	\$ 114,845
Trade accounts receivable, net	62,381	51,783
Trade accounts receivable, related parties	9,423	12,264
Inventories, net	51,325	47,841
Deferred income taxes	699	431
Prepaid expenses and other current assets	1,482	1,218
Total current assets	<u>218,213</u>	<u>228,382</u>
Non-current assets		
Property, plant and equipment, net	54,427	56,034
Intangibles, net	1,231	1,344
Deferred income taxes	1,034	1,427
Deposits and other non-current assets	693	898
Total non-current assets	<u>57,385</u>	<u>59,703</u>
Total assets	<u><u>\$ 275,598</u></u>	<u><u>\$ 288,085</u></u>
Liabilities and shareholders' equity		
Current liabilities		
Long-term loans from banks, current portion	\$ 7,252	\$ 7,933
Trade accounts payable	61,531	51,020
Trade accounts payable, related parties	3,883	2,557
Income tax payable	1,270	864
Accrued payroll, profit sharing and related expenses	4,822	3,868
Accrued expenses	2,494	2,353
Other payables	1,380	1,417
Total current liabilities	<u>82,632</u>	<u>70,012</u>
Non-current liabilities		
Long-term loans from banks, non-current portion	17,968	19,385
Severance liabilities	2,864	2,697
Other non-current liabilities	2,800	2,486
Total non-current liabilities	<u>23,632</u>	<u>24,568</u>
Total liabilities	<u>106,264</u>	<u>94,580</u>
Commitments and contingencies (Note 15)		
Shareholders' equity		
Ordinary shares (35,000,000 shares authorized, \$0.01 par value; 30,849,355 shares and 30,636,622 shares issued and outstanding on September 25, 2009 and June 26, 2009, respectively)	308	306
Additional paid-in capital	30,123	29,633
Retained earnings	138,903	163,566
Total shareholders' equity	<u>169,334</u>	<u>193,505</u>
Total liabilities and shareholders' equity	<u><u>\$ 275,598</u></u>	<u><u>\$ 288,085</u></u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

FABRINET
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars, except share data)

	Three Months Ended	
	September 25, 2009	September 26, 2008
Revenues:		
Revenues	\$ 84,244	\$ 106,007
Revenues, related parties	12,774	39,175
Income from production wind-down and transfer agreements, related party	—	679
Total revenues	97,018	145,861
Cost of revenues	(86,058)	(122,537)
Gross profit	10,960	23,324
Selling, general and administrative expenses	(3,809)	(9,644)
Operating income	7,151	13,680
Interest income	111	308
Interest expense	(161)	(384)
Foreign exchange (loss) gain, net	(60)	246
Income before income tax expense	7,041	13,850
Income tax expense	(855)	(1,638)
Net income	<u>\$ 6,186</u>	<u>\$ 12,212</u>
Earnings per share		
Basic	\$ 0.20	\$ 0.41
Diluted	0.20	0.39
Weighted average number of ordinary shares outstanding (thousands of shares)		
Basic	30,707	30,046
Diluted	31,269	31,387

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars, except share data)

	Ordinary Shares		Additional Paid-in Capital	Warrants	Retained Earnings	Total
	Shares	Amount				
For the three months ended September 25, 2009						
Balances as of June 26, 2009	30,636,622	\$ 306	\$ 29,633	\$ —	\$ 163,566	\$ 193,505
Net income	—	—	—	—	6,186	6,186
Share-based compensation expense related to employee share option plan	—	—	130	—	—	130
Shares issued under employee share option plan	212,733	2	360	—	—	362
Dividends to shareholders	—	—	—	—	(30,849)	(30,849)
Balances as of September 25, 2009	<u>30,849,355</u>	<u>\$ 308</u>	<u>\$ 30,123</u>	<u>\$ —</u>	<u>\$ 138,903</u>	<u>\$ 169,334</u>
For the three months ended September 26, 2008						
Balances as of June 27, 2008	30,044,797	\$ 300	\$ 27,915	\$ 34	\$ 142,316	\$ 170,565
Net income	—	—	—	—	12,212	12,212
Share-based compensation expense related to employee share option plan	—	—	250	—	—	250
Shares issued under employee share option plan	3,225	—	6	—	—	6
Balances as of September 26, 2008	<u>30,048,022</u>	<u>\$ 300</u>	<u>\$ 28,171</u>	<u>\$ 34</u>	<u>\$ 154,528</u>	<u>\$ 183,033</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

FABRINET
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars)

	Three Months Ended	
	September 25, 2009	September 26, 2008
Cash flows from operating activities		
Net income for the period	\$ 6,186	\$ 12,212
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and impairment losses	1,942	2,080
Amortization of intangibles	126	130
Write-off (gain) on disposal of property, plant and equipment	(6)	1
Allowance for doubtful accounts and warranties	34	10
Unrealized gain on exchange rate and fair value of derivative	(74)	(852)
Share-based compensation	130	250
Deferred income tax	125	468
Amortization of deferred revenues	—	(679)
Provision for uncertain tax position and severance liabilities, net of payments	346	180
Inventory obsolescence	(1,004)	(100)
Write-off security offering costs	—	4,044
Changes in operating assets and liabilities		
Trade accounts receivable	(10,632)	(3,134)
Trade accounts receivable, related parties	2,841	1,147
Inventories	(2,480)	(5,680)
Other current assets and non-current assets	(58)	(81)
Trade accounts payable	10,511	778
Trade accounts payable, related parties	1,326	(2,134)
Other payable, related party	—	(58)
Income tax payable	406	140
Accrued expenses and other payables	1,841	1,634
Net cash provided by operating activities	<u>11,560</u>	<u>10,356</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(981)	(1,984)
Purchase of intangibles	(13)	(63)
Purchase of assets for lease under direct financing leases	(3)	—
Proceeds from direct financing leases	8	24
Proceeds from disposals of property, plant and equipment	11	—
Net cash used in investing activities	<u>(978)</u>	<u>(2,023)</u>
Cash flows from financing activities		
Receipts from long-term loans from banks	—	4,000
Repayments of long-term loans from banks	(2,098)	(1,250)
Installment payments for production wind-down and transfer agreements and acquisitions	—	(578)
Repayment of capital lease liabilities	—	(22)
Proceeds from issue of ordinary shares under employee share option plan	362	6
Payment of dividends to shareholders	(30,849)	—
Net cash (used in) provided by financing activities	<u>(32,585)</u>	<u>2,156</u>
Net increase in cash and cash equivalents	<u>(22,003)</u>	<u>10,489</u>
Cash and cash equivalents at beginning of period	114,845	55,682
(Decrease) increase in cash and cash equivalents	(22,003)	10,489
Effect of exchange rate on cash and cash equivalents	61	(42)
Cash and cash equivalents at end of period	<u>\$ 92,903</u>	<u>\$ 66,129</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars)**

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 provides precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers (OEMs) of complex products, such as optical communication components, modules and sub-systems. The Group offers a broad range of advanced optical capabilities across the entire manufacturing process, including process engineering and design for manufacturability, supply chain management, manufacturing, integration and full product assembly and test. The Group focuses primarily on the production of low-volume, high-mix products.

The Company has the following direct and indirect subsidiaries:

- Fabrinet Co., Ltd., (“Fabrinet Thailand”) incorporated in Thailand on September 27, 1999;
- Fabrinet USA, Inc., incorporated in the U.S. in the State of California on October 12, 1999;
- FBN New Jersey Manufacturing, Inc., incorporated in the U.S. in the State of Delaware on May 11, 2005;
- 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
- Fabrinet Pte. Ltd., incorporated in Singapore on November 14, 2007.

The Asia Pacific Growth Fund III, L.P. held 57.3% of the Company’s share capital (fully diluted) as of September 25, 2009 and June 26, 2009.

2. Accounting policies

Basis of presentation

The condensed consolidated financial statements of Fabrinet included herein have been prepared on a basis consistent with the June 26, 2009 audited consolidated financial statements and include all material adjustments, consisting of normal recurring adjustments, necessary to fairly present the information set forth therein. These condensed consolidated financial statements should be read in conjunction with the June 26, 2009 audited consolidated financial statements and notes thereto. The year-end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S. GAAP”). Fabrinet’s results of operations for the three months ended September 25, 2009 and September 26, 2008 are not necessarily indicative of future operating results.

The preparation of the Group’s consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars)

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, allowance for doubtful accounts, 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.

Fiscal years

The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the last Friday of June. The three months ended September 25, 2009 and September 26, 2008 consisted of 13 weeks. Fiscal year 2010 will be comprised of 52 weeks and will end June 25, 2010.

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 September 25, 2009, the Group's cash and cash equivalents were held in financial instruments of banks with credit ratings of A minus or above as determined by Fitch Ratings.

Accounts receivable include amounts due from companies which are monitored by the Group for credit worthiness. As a result of the current financial crisis, management has implemented a program to closely monitor near term cash collection and credit exposures. As of September 25, 2009, the Group identified receivables of approximately \$13,000 and inventory of approximately \$9,000 relating to a significant customer representing approximately 11% of total revenues for the three months ended September 25, 2009 that may be adversely affected. Management continues to monitor the Company's exposures in collaboration with the customer and believes no material loss will be incurred. Accordingly, no allowance for doubtful accounts or inventory write-off related to this customer has been recorded. The loss of this or any other significant customer may have a significant adverse effect on the financial results. Accounts receivable from individual customers that were equal to or greater than 10% of total accounts receivables as of September 25, 2009 and June 26, 2009 were as follows:

	<u>September 25,</u> <u>2009</u>	<u>June 26,</u> <u>2009</u>
EMCORE Corporation	19%	14%
Oclaro, Inc #	18	22
Opnext, Inc	15	13
JDS Uniphase Corporation	13	19
Finisar Corporation	11	13

Pursuant to the merger of Avanex and Bookham (both customers of the Company) on April 27, 2009, Bookham changed its name to Oclaro, Inc. These figures represent the combined receivables of Bookham, Inc and Avanex Corporation.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars)

Recent accounting pronouncements

In October 2009, the FASB issued Accounting Standards Update No. 2009-14, *Software (Topic 985)—Certain Revenue Arrangements That Include Software Elements (a consensus of the FASB Emerging Issues Task Force)*. This guidance amends FASB ASC Subtopic 985-605, *Software—Revenue Recognition (“ASC 985-605”)*, such that tangible products containing both software and non-software components that function together to deliver the tangible product’s essential functionality, are no longer within the scope of ASC 985-605. It also amends the determination of how arrangement consideration should be allocated to deliverables in a multiple-deliverable revenue arrangement. This guidance will become effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Earlier adoption is permitted. The Company will adopt this guidance in fiscal 2011 and is currently evaluating the impact it will have on the Company’s consolidated financial statements.

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, *Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements (a consensus of the FASB Emerging Issues Task Force)*, which amends FASB ASC Subtopic 605-25, *Revenue Recognition: Multiple-Element Arrangements*. This guidance addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to allocate consideration to each unit of accounting in the arrangement. This guidance replaces all references to fair value as the measurement criteria with the term selling price and establishes a hierarchy for determining the selling price of a deliverable. This guidance also eliminates the use of the residual value method for determining the allocation of arrangement consideration. Additionally, this guidance requires expanded disclosures. This guidance will become effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Earlier adoption is permitted. The Company will adopt this guidance in fiscal 2011 and is currently evaluating the impact it will have on the Company’s consolidated financial statements.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820)—Measuring Liabilities at Fair Value*. This guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value of such liability using one or more of the techniques prescribed by the update. The Company will adopt this guidance in the second quarter of fiscal 2010 and is currently evaluating the impact it will have on the Company’s consolidated financial statements.

In June 2009, the FASB issued Accounting Standards Update No. 2009-01, *Generally Accepted Accounting Principles (Topic 105) (formerly Statement of Financial Accounting Standard No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles)*, which identifies the FASB Accounting Standards Codification (“Codification”) as the source of authoritative U.S. generally accepted accounting principles (“U.S. GAAP”) recognized by the FASB to be applied to nongovernmental entities and rules and interpretive releases of the SEC as authoritative U.S. GAAP for SEC registrants. The Codification does not change current U.S. GAAP, but is intended to simplify access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The update was effective for the Company beginning in the first quarter of fiscal 2010 and did not have an impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R) (“SFAS 167”)*. SFAS 167 amends the evaluation criteria to identify the primary beneficiary of a variable interest entity provided by FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities—An Interpretation*

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars)

of ARB No. 51. Additionally, SFAS 167 requires ongoing reassessments of whether an enterprise is the primary beneficiary of the variable interest entity. SFAS 167 is effective for fiscal years beginning after November 15, 2009 and is currently not included in the Codification. The Company will adopt SFAS 167 in fiscal 2011 and is currently evaluating the impact SFAS 167 will have on its consolidated financial statements.

In June 2009, the FASB issued Statement No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*. Statement 166 eliminates the concept of a “qualifying special-purpose entity” from Statement 140 and changes the requirements for derecognizing financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009 and is currently not included in the Codification. The Company will adopt SFAS 166 in fiscal 2011 and is currently evaluating the impact SFAS 166 will have on its consolidated financial statements.

In December 2007, the FASB issued FASB ASC Topic 805, *Business Combinations*. This guidance introduces significant changes in the accounting and reporting for business combinations and continues the movement toward the greater use of fair values in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements at the acquisition date and in subsequent periods. Further, certain of the changes will introduce more volatility into earnings and thus may impact a company’s acquisition strategy. In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, codified in FASB ASC Topic 805. This guidance addresses application issues raised about the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance was effective for financial statements issued for fiscal years beginning after December 15, 2008 and will impact acquisitions made on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This guidance was effective for the Company beginning in the first quarter of fiscal 2010 and did not have a material impact on the Company’s consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*, codified in FASB ASC Topic 275, *Risks and Uncertainties* and FASB ASC Topic 350, *Intangibles-Goodwill and Other*. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB ASC Topic 350. This guidance is intended to improve the consistency between the useful life of an intangible asset determined under FASB ASC Topic 350 and the period of expected cash flows used to measure the fair value of the asset under FASB ASC Topic 805 and other U.S. generally accepted accounting principles. FASB ASC Topic 275 and FASB ASC Topic 350 were effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. FASB ASC Topic 275 and FASB ASC Topic 350 were effective for the Company beginning in the first quarter of fiscal 2010 and did not have a material impact on the Company’s consolidated financial statements.

3. 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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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
FOR THE THREE MONTHS ENDED SEPTEMBER 25, 2009 AND SEPTEMBER 26, 2008
(in thousands of U.S. dollars)

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.

	<u>Three Months Ended</u>	
	<u>September 25, 2009</u>	<u>September 26, 2008</u>
Net income attributable to shareholders	\$ 6,186	\$ 12,212
Weighted average number of ordinary shares outstanding (thousands of shares)	30,707	30,046
Basic earnings per ordinary share (in dollars)	\$ 0.20	\$ 0.41

Diluted earnings per ordinary share is calculated as follows:

	<u>Three Months Ended</u>	
	<u>September 25, 2009</u>	<u>September 26, 2008</u>
Net income used to determine diluted earnings per ordinary share	\$ 6,186	\$ 12,212
Weighted average number of ordinary shares outstanding (thousands of shares)	30,707	30,046
Adjustment for incremental shares arising from the assumed exercise of share options and share warrants (thousands of shares)	562	1,341
Weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	31,269	31,387
Diluted earnings per ordinary share (in dollars)	\$ 0.20	\$ 0.39

4. Fair Value

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("FASB ASC 820"), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The following table sets forth the company's applicable assets measured at fair value on a recurring basis as of September 25, 2009:

	Fair Value Measurements at Reporting Date Using			Total Balance
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Money market fund	—	15,034	—	15,034
Total assets measured at fair value	\$ —	\$ 15,034	\$ —	\$ 15,034

The above money market fund is classified in cash and cash equivalent on the consolidated balance sheet.

5. Allowance for doubtful accounts

The activities and balances for allowance for doubtful accounts as of September 25, 2009 and September 26, 2008 are as follows:

	Balance at beginning of period	Charged to Expenses/ (Credited to Income) for the three months	Balance at end of period
Period ended September 25, 2009	\$ 16	\$ 34	\$ 50
Period ended September 26, 2008	\$ 81	\$ (8)	\$ 73

6. Inventories

	September 25, 2009	June 26, 2009
Raw materials	\$ 24,632	\$ 26,922
Work in progress	19,206	15,961
Finished goods	4,074	5,290
Goods in transit	5,709	2,968
	53,621	51,141
Less Inventory obsolescence	(2,296)	(3,300)
Inventories, net	\$ 51,325	\$ 47,841

7. Write-off of deferred security offering costs

The Company filed its initial Form S-1 related to its planned initial public offering (IPO) of securities with the Securities and Exchange Commission (SEC) on November 7, 2007; with amendment No. 1 filed on January 30, 2008. IPO costs of \$4,044 directly associated with the Company's filing had been capitalized and

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recorded as deferred security offering costs included in prepayment expenses and other current assets on the balance sheet as of June 27, 2008. Due to market conditions, the Company decided, as of September 26, 2008, to postpone its proposed offering, and as a result, expensed \$4,044 of offering costs capitalized during the year ended June 27, 2008, related to its initial filing and amendment No. 1 in accordance with SEC Staff Accounting Bulletin (SAB) Topic 5A. The write-off was charged to selling, general and administrative expense in the first quarter of fiscal 2009.

In the first quarter of fiscal 2010, the Company recommenced its process to file a registration statement on Form S-1 with the SEC. No costs as of September 25, 2009 have been incurred or capitalized as a result of this process.

8. Intangibles

The following tables present details of the Group's intangibles:

	September 25, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net
Software	\$ 3,067	\$ (1,836)	\$ 1,231
Total intangibles	<u>\$ 3,067</u>	<u>\$ (1,836)</u>	<u>\$ 1,231</u>
	June 26, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net
Software	\$ 3,054	\$ (1,710)	\$ 1,344
Total intangibles	<u>\$ 3,054</u>	<u>\$ (1,710)</u>	<u>\$ 1,344</u>

The Group recorded amortization expense relating to intangibles of \$126 and \$130 for the three months ended September 25, 2009 and September 26, 2008, respectively.

Based on the carrying amount of intangibles as of September 25, 2009, and assuming no future impairment of the underlying assets, the estimated future amortization at each fiscal year ended June is as follows:

2010	363
2011	414
2012	301
2013	139
2014	13
Thereafter	1
Total amortization	<u>1,231</u>

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9. Borrowings

	September 25, 2009	June 26, 2009
<i>Long-term loans from banks consisted of:</i>		
Current portion	\$ 7,252	\$ 7,933
Non-current portion	17,968	19,385
Total borrowings	<u>\$ 25,220</u>	<u>\$27,318</u>

As of September 25, 2009 and June 26, 2009, the Group had outstanding borrowings under long-term loan agreements with banks totaling \$25,220 and \$27,318, respectively, which consisted of:

Contract No.	Amount		Interest rate per annum (%)	Conditions	Repayment term
	September 25, 2009	June 26, 2009			
1	\$ 19,166	\$ 20,083	SIBOR + 1.5% per annum	Repayable commencing from May 2009 in quarterly instalments within 8 years	May 2009 - February 2015
2	244	425	LIBOR + 2.25% per annum	Repayable in quarterly installments within 4 years	March 2005 - March 2010
3	1,500	2,000	SIBOR + 1.5% per annum	Repayable in semi-annual installments within 7 years	April 2004 - February 2011
4	3,310	3,310	SIBOR + 1.5% per annum	Repayable in semi-annual installments within 7 years	June 2005 - November 2011
5	1,000	1,500	LIBOR + 1.5% per annum	Repayable in quarterly installments within 2 years	March 2008 - February 2010
Total	<u>\$ 25,220</u>	<u>\$ 27,318</u>			

Certain of the long-term loans are secured by certain property, plant and equipment. The carrying amount of assets secured and pledged as collateral was \$37,202 and \$38,264 as of September 25, 2009 and June 26, 2009, respectively. The Group has property, plant and equipment totaling \$2,258 and \$2,473 that cannot be pledged with other financial institutions as of September 25, 2009 and June 26, 2009, respectively. The carrying amounts of borrowings approximate their fair value.

Certain of the long-term loans prescribe maximum ratios of debt to equity and minimum levels of debt service coverage ratios.

As of September 25, 2009 and June 26, 2009, the Group was in compliance with its long-term loan agreements.

In addition to financial ratios, certain of the Group's packing credits and long-term loans include customary events of default. 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.

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The movements of long-term loans for the period ended September 25, 2009 were as follows:

	September 25, 2009
Opening net book amount	\$ 27,318
Additional loans during the period	—
Repayment during the period	(2,098)
Closing net book amount	<u>\$ 25,220</u>

As of September 25, 2009, future maturities of long-term debt are as follows at each fiscal year ended June:

2010	\$ 5,835
2011	6,008
2012	4,298
2013	3,668
2014	3,668
Thereafter	1,743
Total	<u>\$ 25,220</u>

Credit facilities:

Undrawn available credit facilities as of September 25, 2009 and June 26, 2009 totaled:

	September 25, 2009	June 26, 2009
Bank borrowings:		
Short-term loans	\$ 49,954	\$ 49,888
Long-term loans	1,000	1,000

10. Income tax

The Group implemented FASB ASC Topic 740, *Income Taxes* ("FASB ASC 740"). As of September 25, 2009, the liability for uncertain tax positions including accrued interest and penalties increased to \$2,554 (June 26, 2009: \$2,375). The Group does not expect any material changes to the estimated amount of liability associated with its uncertain tax positions within the next 12 months.

The Group files several income tax returns in the U.S. and foreign tax jurisdictions. The tax years from 2006 to 2009 remain open to examination by U.S. and state tax authorities, and the tax years from 2005 to 2009 remain open to examination by the foreign tax authorities.

The Group's income tax is recognized based on the best estimate of the expected annual income tax rate for the full financial year of each entity in the Group. The effective tax rate for the Group for the three months ended September 25, 2009 and September 26, 2008 was 12% and 12% of net income, respectively.

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11. Share-based compensation and warrants

Share options

The Group accounts for share option plans using the fair value recognition provisions of FASB ASC Topic 718, *Compensation—Stock Compensation* (“FASB ASC 718”). Under the fair value recognition provisions of FASB ASC 718, the Group 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, 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 FASB ASC 718 are accounted for under the provisions of FASB ASC 718. FASB ASC 718 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. FASB ASC 718 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 effect of recording share-based compensation expense for the three months ended September 25, 2009 and September 26, 2008 was as follows:

	Three Months Ended	
	September 25, 2009	September 26, 2008
Share-based compensation expense for employee share options		
Total share-based compensation expense	\$ 130	\$ 250
Tax effect on share-based compensation expense	—	—
Net effect on share-based compensation expense	<u>\$ 130</u>	<u>\$ 250</u>

Share-based compensation expense was recorded in the condensed consolidated statements of operations as follows: cost of revenues of \$65 and \$127 for the three months ended September 25, 2009 and September 26, 2008, respectively, and SG&A expenses of \$65 and \$123 for the three months ended September 25, 2009 and September 26, 2008, respectively. The Group did not capitalize any share-based compensation expense as part of any assets during the three months ended September 25, 2009 and September 26, 2008.

Share option activity

Share options have been granted to directors and employees. As of September 25, 2009, Fabrinet had 157,134 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. Options generally vest and become exercisable over four years and expire, if not exercised, within 7 years of the grant date. In the case of a grantee’s first grant, 25 percent of the underlying shares subject to option vest 12 months after the grant date and 1/48 of the underlying shares vesting each of the following thirty-six months. In the case of any additional grants to a grantee, 1/48 of the underlying shares subject to option vest each month for four years, commencing one month after the grant date.

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The following summarizes activities under the Amended and Restated 1999 Share Option Plan:

	Number of shares underlying options		Weighted-average exercise price per share	
	Three Months Ended		Three Months Ended	
	September 25, 2009	September 26, 2008	September 25, 2009	September 26, 2008
Shares underlying options outstanding at beginning of the period	1,023,592	1,619,988	\$ 2.77	\$ 2.20
Granted	—	79,800	—	5.50
Exercised	(212,733)	(3,225)	1.70	1.75
Forfeited	(7,523)	(13,337)	5.21	4.42
Expired	(21,254)	(1,563)	2.51	3.50
Shares underlying options outstanding at end of the period	782,082	1,681,663	3.05	2.34
Shares underlying options exercisable at end of the period	568,293	1,260,370	\$ 2.52	\$ 1.79

The following summarizes information for share options outstanding as of September 25, 2009

Number of shares underlying options	Exercise price	Weighted average remaining contractual life (years)
97,200	\$ 1.50	1.07
178,400	1.75	2.42
49,242	2.00	2.59
32,537	2.25	3.35
20,301	2.75	3.68
44,500	3.00	4.24
169,442	3.50	4.27
3,600	4.00	4.66
29,000	4.25	4.93
28,335	4.75	5.07
33,325	5.00	5.39
15,800	5.25	5.62
56,400	5.50	5.92
24,000	5.75	6.11
<u>782,082</u>		

As of September 25, 2009, \$432 of estimated share-based compensation expense related to share options remains to be recorded. That cost is expected to be recorded over an estimated amortization period of 2.06 years.

Warrants

In March 2000, the Group granted a contingent warrant to purchase 1,285,714 ordinary shares to a director, employee and founding stockholder 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 vested as shares were sold to third parties or at a rate of

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one ordinary share subject to the warrant for every four ordinary shares that vested 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 was not tied to his continued service as a director or employee. The Group accounted for the contingent warrant in accordance with FASB ASC Topic 815-40, *Derivatives and Hedging—Contracts in Entity’s Own Equity* (“FASB ASC 815-40”). The warrant was only settled by the issuance of ordinary shares. Pursuant to the FASB ASC 815-40 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 were recorded as a reclassification from warrant to ordinary shares. As of September 25, 2009 and June 26, 2009, the warrant was fully exercised.

The following summarizes the activities relating to the warrant:

	Number of shares underlying warrant		Weighted-average exercise price per share	
	Three Months Ended		Three Months Ended	
	September 25, 2009	September 26, 2008	September 25, 2009	September 26, 2008
Shares underlying warrant at beginning of the period	—	34,175	\$ —	\$ 0.01
Exercised	—	—	—	—
Shares underlying warrant at end of the period	—	34,175	—	0.01
Exercisable shares underlying warrant at end of the period	—	12,674	\$ —	\$ 0.01

12. 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.

For the three months ended September 25, 2009, option holders exercised 212,733 shares underlying options to purchase 212,733 shares, resulting in 212,733 ordinary shares being issued for consideration of a weighted average exercise price of \$1.70 per share for the options. All issued shares are fully paid.

For the three months ended September 26, 2008, option holders exercised 3,225 shares underlying options to purchase 3,225 shares, resulting in 3,225 ordinary shares being issued for consideration of exercise price of \$1.75 per share for the options. All issued shares are fully paid.

13. Dividend payment

At the meeting of the Board of Directors of Fabrinet held on August 20, 2009 the Board declared a cash dividend of \$1.00 per share. The dividend was paid to all shareholders on the register on August 28, 2009 and the dividend of approximately \$30,800 was paid out on September 1, 2009.

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14. Related party transactions and balances

JDS Uniphase Corporation, a customer and shareholder of Fabrinet, held 6.4% of the Company's share capital (fully diluted) as of September 25, 2009 and June 26, 2009. A representative from JDS Uniphase Corporation served as a director of Fabrinet up to August 2007.

Frank H. Levinson, Finisar Corporation's former Chairman of the Board and Chief Technical Officer and a member of Finisar's board of directors until August 29, 2008, is a member of the board of directors of Fabrinet. Finisar purchased products from the Company totaling to \$12,590 and the Company recorded purchases of \$8,272 from Finisar during the two months ended August 29, 2008. As of September 25, 2009, Finisar was no longer a related company.

Asia Pacific Growth Fund III, L.P. held 57.3% of the Company's share capital (fully diluted) as of September 25, 2009 and June 26, 2009. Currently, the Group has no commercial transactions with Asia Pacific Growth Fund III, L.P.

The following transactions were carried out with related parties:

	Three Months Ended	
	September 25, 2009	September 26, 2008
Revenues		
Sales of goods:		
JDS Uniphase Corporation	\$ 12,774	\$ 26,585
Finisar Corporation	—	12,590
	<u>\$ 12,774</u>	<u>\$ 39,175</u>
Cost of revenues		
Purchases of goods:		
JDS Uniphase Corporation	\$ 5,193	\$ 8,488
Finisar Corporation	—	8,272
	<u>\$ 5,193</u>	<u>\$ 16,760</u>
Trade accounts receivable		
JDS Uniphase Corporation	\$ 9,423	\$ 12,264
	<u>\$ 9,423</u>	<u>\$ 12,264</u>
Trade accounts payable		
JDS Uniphase Corporation	\$ 3,883	\$ 2,557
	<u>\$ 3,883</u>	<u>\$ 2,557</u>

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15. Commitments and contingencies***Bank guarantees***

As of September 25, 2009 and June 26, 2009, there were outstanding bank guarantees given by banks on behalf of Fabrinet Thailand for electricity usage and other normal business amounting to \$625 and \$617, 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 \$441 and \$401, for the three months ended September 25, 2009 and September 26, 2008, respectively.

As of September 25, 2009, the future minimum lease payments due under non-cancelable leases are as follows at each fiscal year ended June:

2010	\$ 1,307
2011	1,470
2012	1,457
2013	1,457
2014	953
Total minimum operating lease payments	<u>\$ 6,644</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.

Capital Expenditures

The Group's non-cancelable commitments for purchase of equipment approximated \$930 as of September 25, 2009.

16. Business segments and geographic information

The Group evaluates its reportable segments in accordance with FASB ASC Topic 280, *Segment Reporting*. 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 September 25, 2009, 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.

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The Group operates primarily in three geographic regions: North America, Asia-Pacific and Europe. The following table presents total revenues by geographic regions:

	<u>Three Months Ended</u>	
	<u>September 25, 2009</u>	<u>September 26, 2008</u>
North America	\$ 53,587	\$ 94,187
Asia-Pacific	39,734	44,690
Europe	3,697	6,984
	<u>\$ 97,018</u>	<u>\$ 145,861</u>

Total revenues are attributed to a particular geographic area based on the location to which the customer's order is shipped. The Group has approximately \$0.09 million of long-lived assets based in North America, with the substantial remainder of the assets based in the Asia region.

Significant customers

Total revenues, by percentage, from individual customers representing 10% or more of total revenues in the respective periods were as follows:

	<u>Three Months Ended</u>	
	<u>September 25, 2009</u>	<u>September 26, 2008</u>
Oclaro, Inc [#]	19%	22%
Opnext, Inc	17	*
JDS Uniphase Corporation	13	18
Finisar Corporation	12	14
EMCORE Corporation	11	23

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

[#] Pursuant to the merger of Avanex and Bookham (both customers of the Company) on April 27, 2009, Bookham changed its name to Oclaro, Inc. These figures represent the combined revenues of Bookham, Inc and Avanex Corporation.

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.

17. Subsequent events

We have evaluated all events subsequent to the balance sheet date of September 25, 2009 through November 20, 2009, which is the date the Company's unaudited condensed consolidated financial statements are issued. On November 19, 2009, the Company granted 147,700 share options to certain employees. The share options expire on November 18, 2016, have an exercise price of \$5.75 per ordinary share and vest over 4 years.

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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	\$ 8,370
Financial Industry Regulatory Authority filing fee	15,500
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 10.10 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 December 31, 2006, the registrant has granted to directors, officers, employees and consultants, options to purchase an aggregate of 504,700 ordinary shares at exercise prices ranging from \$3.00 to \$5.75 per ordinary share and has issued 15,241 ordinary shares upon exercise of options.

(ii) Since December 31, 2006, the registrant issued to one accredited investor who is a director and officer 133,375 ordinary shares upon exercise of a warrant. The warrant had an exercise price of \$0.01 per ordinary share and was exercised for aggregate consideration of \$1,333.75.

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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

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated by reference herein</u>			
		<u>Form</u>	<u>Exhibit No.</u>	<u>Filing Date</u>	<u>File. No.</u>
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				
8.1*	Opinion of Wilson Sonsini Goodrich & Rosati, counsel to the registrant, regarding certain United States tax matters				
10.1.1+	Fabrinet Amended and Restated 1999 Share Option Plan	S-1	10.1.1	November 7, 2007	333-147191
10.1.2+	Form of Share Option Agreement under the Fabrinet Amended and Restated 1999 Share Option Plan	S-1	10.1.2	November 7, 2007	333-147191
10.2.1+*	2010 Performance Incentive Plan				
10.2.2+*	Forms of agreement under the 2010 Performance Incentive Plan				
10.3.1+	Employment Agreement, effective as of January 1, 2000, by and between David T. Mitchell and the registrant				

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Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File. No.
10.3.2+	Amendment to Employment Agreement, dated December 29, 2008, by and between David T. Mitchell and the registrant				
10.4.1+	Offer Letter, dated April 29, 2005, by and between Dr. Harpal Gill and Fabrinet USA, Inc.	S-1	10.3.1	November 7, 2007	333-147191
10.4.2+	Amendment to Offer Letter, dated February 14, 2007, by and between Dr. Harpal Gill and Fabrinet USA, Inc.	S-1	10.3.2	November 7, 2007	333-147191
10.4.3+	Amendment to Offer Letter, dated December 29, 2008, by and between Dr. Harpal Gill and Fabrinet USA, Inc.				
10.5+	Employment Agreement, dated July 1, 2007, by and between Dr. Harpal Gill and Fabrinet Co., Ltd.	S-1	10.5	November 7, 2007	333-147191
10.6.1+	Offer Letter, dated April 15, 2000, by and between Mark J. Schwartz and the registrant	S-1	10.4	November 7, 2007	333-147191
10.6.2+	Amendment to Offer Letter, dated June 16, 2008, by and between Mark J. Schwartz and Fabrinet USA, Inc.				
10.6.3+	Amendment to Offer Letter, dated December 29, 2008, by and between Mark J. Schwartz and Fabrinet USA, Inc.				
10.7.1+	Employment Agreement, dated January 8, 2001, by and between Nat Mani and Fabrinet USA, Inc.	S-1	10.6.1	November 7, 2007	333-147191
10.7.2+	Amendment to Employment Agreement, dated October 1, 2007, by and between Nat Mani and Fabrinet USA, Inc.	S-1	10.6.2	November 7, 2007	333-147191
10.7.3+	Amendment to Employment Agreement, dated June 16, 2008, 2008, by and between Nat Mani and Fabrinet USA, Inc.				
10.7.4+	Amendment to Employment Agreement, dated December 29, 2008, by and between Nat Mani and Fabrinet USA, Inc.				
10.8+	Consulting Agreement, dated November 8, 2008, by and between Dr. William Perry and the registrant				
10.9+	Compensation Notice for Dr. William Perry, dated September 30, 2009				
10.10+*	Form of Indemnification Agreement				
10.11	Manufacturing Agreement, dated May 29, 2005, by and between the registrant and FBN New Jersey Holdings Corp.	S-1	10.10	November 7, 2007	333-147191

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Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File. No.
10.12	Manufacturing Agreement, dated January 2, 2000, by and between the registrant and Fabrinet Co. Ltd.	S-1	10.11	November 7, 2007	333-147191
10.13	Administrative Services Agreement, dated January 2, 2000, by and between the registrant and Fabrinet USA, Inc.	S-1	10.12	November 7, 2007	333-147191
10.14	Administrative Services Agreement, dated July 3, 2008, by and between the registrant and Fabrinet Pte. Ltd.				
10.15	Credit Facility Agreement, dated December 15, 2006, by and among Fabrinet Co., Ltd., the registrant and ABN AMRO Bank N.V.	S-1	10.13	November 7, 2007	333-147191
10.16	Loan Agreement, dated March 4, 2005, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand (in Thai with English translation)	S-1	10.14	November 7, 2007	333-147191
10.17	Loan Agreement, dated September 25, 2006, by and between Fabrinet Co., Ltd. and Export-Import Bank of Thailand (in Thai with English translation)	S-1	10.15	November 7, 2007	333-147191
10.18.1	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)	S-1	10.17	November 7, 2007	333-147191
10.18.2	Supplemental Memorandum of Agreement (2nd), dated December 14, 2007, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation)				
10.18.3	Memorandum of Agreement, dated August 8, 2008, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation)				
10.19.1	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)	S-1	10.18	November 7, 2007	333-147191
10.19.2	Supplemental Memorandum of Agreement (2nd), dated December 14, 2007, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation)				
10.19.3	Memorandum of Agreement, dated August 8, 2008, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation)				

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		Form	Exhibit No.	Filing Date	File. No.
10.20.1	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)	S-1	10.19	November 7, 2007	333-147191
10.20.2	Supplemental Memorandum of Agreement, dated December 14, 2007, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation)				
10.20.3	Memorandum of Agreement, dated August 8, 2008, by and among Fabrinet Co., Ltd., the registrant and TMB Bank Public Company Limited (in Thai with English translation)				
10.21	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)	S-1	10.20	November 7, 2007	333-147191
10.22	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)	S-1	10.21	November 7, 2007	333-147191
10.23	Lease Agreement, dated January 1, 2007, by and between Donly Corporation and FBN NJ Holdings Corp. DBA VitroCom	S-1	10.22	November 7, 2007	333-147191
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)	S-1	10.24	November 7, 2007	333-147191
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)	S-1	10.25	November 7, 2007	333-147191
10.26*	Registration Rights Agreement dated [], by and among the registrant, Asia Pacific Growth Fund III, L.P. and David T. Mitchell				
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 (see page II-7 to this registration statement on Form S-1)				

+ Indicates management contract or compensatory plan.

* To be filed by amendment.

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(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, 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.

(b) 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.

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<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ VIRAPAN PULGES</u> Virapan Pulges	Director	November 20, 2009
<u>/s/ WILLIAM J. PERRY</u> William J. Perry	Director	November 20, 2009
<u>/s/ MARK J. SCHWARTZ</u> Mark J. Schwartz, on behalf of Fabrinet USA, Inc.	Fabrinet USA, Inc. (Authorized U.S. Representative)	November 20, 2009

INDEX TO EXHIBITS

Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File. No.
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				
8.1*	Opinion of Wilson Sonsini Goodrich & Rosati, counsel to the registrant, regarding certain United States tax matters				
10.1.1+	Fabrinet Amended and Restated 1999 Share Option Plan	S-1	10.1.1	November 7, 2007	333-147191
10.1.2+	Form of Share Option Agreement under the Fabrinet Amended and Restated 1999 Share Option Plan	S-1	10.1.2	November 7, 2007	333-147191
10.2.1+*	2010 Performance Incentive Plan				
10.2.2+*	Forms of agreement under the 2010 Performance Incentive Plan				
10.3.1+	Employment Agreement, effective as of January 1, 2000, by and between David T. Mitchell and the registrant				
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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 (see page II-7 to this registration statement on Form S-1)				

+ Indicates management contract or compensatory plan.

* To be filed by amendment.

**FABRINET
A CALIFORNIA CORPORATION
EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT is entered into effective as of January 1, 2000, by and between FABRINET, a California corporation ("Employer"), and DAVID T. MITCHELL ("Employee").

R E C I T A L S:

A. Employee, the founding shareholder of Employer, possesses skill, experience, and knowledge in the executive management and operation of business enterprises and desires to be employed by Employer.

B. Employer, a subsidiary of Fabrinet, a company formed under the laws of the Cayman Islands ("Parent"), is engaged in the business of providing contract manufacturing services to businesses, and desires to engage the services of Employee as its chief executive officer.

C. NOW, THEREFORE, in consideration of the mutual terms, promises, and conditions set forth in this Agreement, the parties agree as follows:

1. EMPLOYMENT AND DUTIES.

a. Employer hereby hires Employee as its Chief Executive Officer, and Employee accepts that employment. Employee shall have all of the obligations, duties, and responsibilities customary for such a position, subject to the policies and directives of Employer's Board of Directors who shall have the final authority for determining the nature and scope of Employee's duties.

b. During his employment, Employee shall devote his full energies, abilities, and professional time to the performance of his duties under this Agreement and pursuant to the provisions hereof shall not, without Employer's prior written consent, render services to others of any kind for compensation or engage in any other business activity which would be competitive with or interfere with the performance of Employee's duties under this Agreement.

2. TERM OF EMPLOYMENT.

The term of employment under this Agreement shall commence as of January 1, 2000, and continue through and including December 31, 2005, unless extended by mutual agreement or terminated earlier pursuant to the provisions of paragraph 5 (the "Term").

3. COMPENSATION AND BENEFITS.

a. **Base Salary.** Commencing as of January 1, 2000, Employer shall pay Employee, as compensation for the performance of his duties and obligations under this Agreement, a base salary at the rate of \$450,000 per annum, payable in arrears not less frequently than monthly in accordance with the normal payroll practices of Employer. Such base salary shall be subject to review each year for possible increase by the Board, but shall in no event be decreased from its then-existing level during the term of this Agreement.

b. **Bonus Compensation.** In addition to base salary, Employer shall pay Bonus Compensation to Employee as may be allocated, if any, to Employee from the Fabrinet Profit Sharing Pool to be instituted at the discretion of the board of directors of the Parent, the principal terms of which are attached hereto as Exhibit A and incorporated herein by reference. Bonus Compensation, if any, shall be payable each calendar quarter during the term of this Agreement, commencing with the calendar quarter ending March 31, 2000. Any Bonus Compensation due to Employee shall be paid within thirty (30) days after the end of each calendar quarter during the term of this Agreement.

c. **Stock Options.** Provided that Employee continues to be employed by Employer, Employee shall be eligible, at the discretion of the board of directors of Parent, to receive grants of options to acquire ordinary shares of Parent pursuant to the terms and conditions of Parent's Employee Stock Option Plan (which Plan shall be instituted at the discretion of board of directors of Parent). Employee shall be eligible for such grant of options notwithstanding any option or warrant grants that otherwise may accrue to Employee pursuant to any bridge loan or shareholders' agreement between Parent and H&Q Asia Pacific Limited ("H&QAP") or any investment fund under H&QAP's control, including Asia Pacific Growth Fund III, L.P. Stock options granted to Employee shall vest over a four year period and shall be governed by the terms of the Employee Stock Option Plan and Agreement.

d. **Other Benefits.**

(1) The Employee shall be eligible to participate in any benefit plan made generally available to senior executives of Employer, including any such pension plan, hospitalization plan, medical and dental service plan, disability plan, life insurance plan, death benefit plan, 401(k) plan, retirement plan or any other employee benefit plan, which may be in effect at any time or from time to time during the Employee's employment under this Agreement, subject to the amendment or termination of any such plan or benefit. During the Term, the Employer's hospitalization plan, medical and dental service plan shall also provide hospitalization, dental and medical coverage for the Employee's dependents, including his spouse and minor children. Commencing January 1, 2000, and continuing until such time as the Employee becomes eligible for coverage under the Employer's group health insurance plan, Employer shall make (or reimburse Employee for) the premium payments necessary to permit the Employee to continue group health insurance coverage for the Employee and his eligible dependents under Blue Cross/Blue Shield and to continue his current disability policy until coverage under Employer's policy begins.

(2) Within such time as prescribed by the Employer, from time to time and upon presentation of receipts by the Employee, the Employer shall reimburse the Employee for all reasonable travel (including food and lodging), entertainment and other similar business expenses incurred by him in the performance of his duties hereunder in accordance with the Employer's policies regarding such expenses. The Employer will reimburse the Employee in the amount of \$1,500 per month, upon receipt of an invoice for such amount from Employee, for reasonable expenses incurred by the Employee in equipping, maintaining and operating a phone, fax and computer for the equivalent of an at-home office in Los Altos Hills, California, U.S.A.

(3) The Employee shall be entitled to reasonable vacations as may be consistent with the generally applicable vacation policies of the Employer, but in no event less than four (4) weeks of paid vacation per year.

e. Indemnification. In connection with any threatened, pending or completed claim, demand, liability, action, suit, arbitration or proceeding, whether civil, criminal, administrative or investigative, or any appeal therefrom, whether by or in the right of Employer or otherwise, arising out of or relating to the fact that Employee is or was a director, officer, employee or agent of Employer, or is or was serving at the request of Employer in any such role for any other corporation or entity, or by reason of anything done or not done by the Employee in any such capacity, Employer hereby expressly agrees and shall indemnify and hold Employee harmless, to the fullest extent authorized by law, against any and all expenses (including, without limitation, attorneys' fees and all other costs, expenses or obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal) any such matter), damages, judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Employee in connection therewith, except where such claim or action results from the Employee's willful misconduct or gross negligence. In the event that both Employee and Employer are made a party to the same action, complaint, suit, arbitration or proceeding, Employee shall be entitled to engage separate legal counsel and, except where such claim or action results from the Employee's willful misconduct or gross negligence, Employer shall pay all costs, expenses or obligations paid or incurred in connection with such separate legal counsel. Further, while Employee agrees at all times to use Employee's best efforts to discharge faithfully his duties under this Agreement, Employee cannot be held liable to Employer for a breach of his duty of care, acts or omissions made in good faith where Employee has not exhibited willful misconduct, gross neglect or performed criminal or fraudulent acts. Employer shall promptly pay (or advance to Employee, to the fullest extent authorized by law) on behalf of and for Employee, upon presentation of invoices, any and all amounts for which indemnification is provided under this Section 3(e). In addition, Employer shall purchase and maintain directors' and officers' liability insurance in an amount and in a form customarily held by companies situated similarly to Employer, and Employee shall be a beneficiary of such policy or policies. Notwithstanding any statement contained in this Agreement to the contrary, the obligations of Employer set forth in this Section 3(e) shall survive any termination or expiration of this Agreement.

4. NON-COMPETITION, NON-SOLICITATION, CONFIDENTIALITY AND TRADE SECRETS.

a. The Employee acknowledges that (i) the principal business of the Employer (which expressly includes for purposes of this Section 4, its successors and assigns) is the manufacture of electronic and mechanical components for use in the assembly of disk drives and other electronic components (such businesses, and any and all other businesses that after the date hereof, and from time to time during the Term, become material with respect to the Employer's then-overall business, herein being collectively referred to as the "Business"); (ii) the Employer's Business is national and international in scope; (iii) the Employee's work for the Employer has given and will continue to give him access to the confidential affairs and proprietary information of the Employer; (iv) the covenants and agreements of the Employee contained in this Section 4 are essential to the business and goodwill of the Employer; and (v) the Employer would not have entered into this Agreement but for the covenants and agreements set forth in this Section 4. Accordingly, the Employee covenants and agrees that:

(i) By and in consideration of the salary and benefits to be provided by the Employer hereunder including the severance arrangements set forth herein, and further in consideration of the Employee's exposure to the confidential or proprietary information of the Employer, during the Term, he shall not, directly or indirectly (A) engage in any element of the Business or otherwise compete with the Employer, Parent or the affiliates of either, (B) render any services to any person, corporation, partnership or other entity (other than the Employer, Parent and the affiliates of either) engaged in any element of the Business, or (C) become interested in any such person, corporation, partnership or other entity (other than the Employer, Parent and the affiliates of either) as a partner, shareholder, principal, agent, employee, consultant or in any other relationship or capacity; provided, however, that, notwithstanding the foregoing, the Employee may invest in securities of any entity, solely for investment purposes and without participating in the business thereof, if (1) such securities are traded on any national securities exchange or the National Association of Securities Dealers, Inc. Automated Quotation System, (2) the Employee is not a controlling person of, or a member of a group which controls, such entity and (3) the Employee does not, directly or indirectly, own 5% or more of any class of securities of such entity.

(ii) During the Term, the Employee will disclose to the Employer, and the Employer shall maintain such disclosure in confidence to the extent required by Section 2871 of the California Labor Code, as amended (the "CLC"), all information, ideas, discoveries, inventions, trade secrets and other intangibles developed by the Employee, either individually or with others, which relate, directly or indirectly, to the business of the Employer, including without limitation any process, method, operation, product, service or any improvements thereof, whether or not conceived or developed during the Employee's working hours, and with respect to which the equipment, supplies, facilities or confidential information of the Employer or its affiliates was used in whole or in part ("Proprietary Information").

During and after the Term, the Employee will not disclose any such Proprietary Information to any third party without prior written consent of the Employer except for Proprietary Information which becomes publicly known through no wrongful act of the

Employee. All rights in and to all Proprietary Information shall be owned solely and exclusively by the Employer. Proprietary Information shall include, without limitation, any and all patent, trademark, copyright, trade secret and other proprietary rights of any kind whatsoever, any and all works in any medium whatsoever that refer to, relate to, incorporate, include, analyze or utilize such Proprietary Information, including, but not limited to, improvements and modifications thereto and derivations therefrom. To the extent necessary to vest such sole and exclusive ownership in the Employer, the Employee hereby irrevocably assigns to the Employer (and, as applicable, its successors and assigns) any and all rights in and to such Proprietary Information. Notwithstanding the foregoing, to the extent required by Section 2870 of the CLC, this Section 4a.(ii) shall not require the Employee to assign, or offer to assign, any invention that the employee developed entirely on his own time without using the Employer's equipment, supplies, facilities or trade-secret information except for those inventions that either (A) relate at the time of conception or reduction to practice of the invention to the Employer's business, or actual or demonstrable anticipated research or development of the Employer, or (B) results from any work performed by the Employee for the Employer.

The Employee agrees to sign, execute and acknowledge, or cause to be signed, executed or acknowledged, without cost to the Employer, any and all documents and to perform such acts as may be considered necessary, useful or convenient by the Employer for the purpose of obtaining, perfecting, recording, renewing or enforcing title to the Proprietary Information by the Employer, and all rights therein. The Employee hereby grants all such royalty-free, perpetual and assignable licenses to the Employer as may be necessary for the Employer to use, sell, reproduce, modify and otherwise exercise control over the Proprietary Information for any purpose whatsoever, without any obligation of accounting or payment of royalties or other compensation to the Employee or to any third party. Proprietary Information may be used by the Employee only in connection with performing the Employee's responsibilities under this Agreement. Upon termination of the Employee's employment, the Employee shall no longer use Proprietary Information for any purpose whatsoever.

(iii) During and after the Term, the Employee shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, except in connection with the business and affairs of the Employer, Parent and the affiliates of either, all confidential matters relating to the Employer's Business and the business of Parent and the affiliates of either, learned by the Employee heretofore or hereafter, directly or indirectly, from the Employer, Parent and the affiliates of either (the "Confidential Employer Information"), including, without limitation, information with respect to (A) sales figures of the Employer, Parent or the affiliates of either, (B) profit or loss figures of the Employer, Parent or the affiliates of either, (C) customers, clients, suppliers and customer lists and lists of the employees of the Employer and its affiliates and (D) software now or hereafter sold or licensed by the Employer, whether or not developed by the Employer, Parent or the affiliates of either or by the Employee in connection with his employment, and any source code to such software or other related asset to which the Employer, Parent or the affiliates of either has any proprietary rights; and shall not disclose such Confidential Employer Information to anyone outside of the Employer except with the Employer's express written consent and except for Confidential Employer Information which is at the time of receipt or thereafter becomes publicly known through no wrongful act of the Employee or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement.

b. During the Term, the Employee shall not, without the Employer's prior written consent:

(i) solicit or encourage to leave the employment or other service of the Employer, Parent or the affiliates of either, any employee or independent contractor thereof or hire (on behalf of the Employee or any other person or entity) any employee or independent contractor who has left the employment or other service of the Employer, Parent or the affiliates of either within the one-year period which follows the termination of such employee's or independent contractor's employment or other service with the Employer, Parent and the affiliates of either; or

(ii) whether for his own account or for the account of any other person, firm, corporation or other business organization, intentionally interfere with the Employer's, Parent's or any of their affiliates' relationship with, or endeavor to entice away from the Employer, Parent or the affiliates of either, any person who during the Term is or was a customer or client of the Employer, Parent or the affiliates of either.

c. For a one-year period immediately following the termination of Employee's employment pursuant to paragraphs 5(a), 5(b), or 5(c), below, the Employee shall not, without the Employer's prior written consent:

(i) solicit or encourage to leave the employment or other service of the Employer, Parent or the affiliates of either, any employee or independent contractor thereof or hire (on behalf of the Employee or any other person or entity) any employee or independent contractor who has left the employment or other service of the Employer, Parent or the affiliates of either within the one-year period which follows the termination of such employee's or independent contractor's employment or other service with the Employer, Parent and the affiliates of either; or

(ii) whether for his own account or for the account of any other person, firm, corporation or other business organization, intentionally interfere with the Employer's, Parent's or any of their affiliates' relationship with, or endeavor to entice away from the Employer, Parent or the affiliates of either, any person who during the term of Employee's employment or the one-year period following the expiration of the term of Employee's employment is or was a customer or client of the Employer, Parent or the affiliates of either.

d. All visually perceptible or machine-readable documents and things which consist of, include, or refer or relate to Proprietary Information, and any other memoranda, notes, lists, records, property and any other tangible product and documents (and all copies thereof) made, produced or compiled by the Employee or made available to him concerning the business of the Employer, Parent or the affiliates of either, (i) shall at all times be the property of the Employer and, in the case of Parent and its affiliates (other than the Employer), Parent, and (ii) upon the Employee's termination of employment, shall be returned to the Employer or Parent, as applicable.

e. Employee acknowledges that Employer will suffer substantial damages not readily ascertainable or compensable in terms of money in the event of a breach of Employee's obligations under this paragraph. The parties agree that Employer shall be entitled (without limitation of any other rights or remedies available to it) to obtain an injunction or other equitable relief from any court of competent jurisdiction prohibiting the continuance or recurrence of any such breach.

5. TERMINATION OF EMPLOYMENT.

a. **Termination for Death, Disability or Cause.** During the term of this Agreement, Employer may terminate this Agreement and Employee's employment in any one of the following ways:

(1) Death. Automatically, upon the death of the Employee. In the event the Employee's employment is terminated due to his death, Employer shall pay to the Employee's legal representatives or named beneficiaries (as the Employee may designate from time to time in a notice to Employer) the Employee's base salary for the remainder of the month in which the Employee's death shall have occurred and an amount equal to the pro-rata portion of the bonus which the Employee would have been paid for his performance for the calendar quarter in which his death occurs but in no event less than six (6) months of the then-current base salary.

(2) Disability. If, as a result of incapacity due to physical or mental illness or injury, as reasonably determined by Employee's physician and reasonably acceptable to Employer, Employee shall have been absent from Employee's full-time duties hereunder for six (6) consecutive months, then thirty (30) days after Employee receives written notice from Employer (which notice may occur before or after the end of such six (6) month period, but which shall not be effective earlier than the last day of such six (6) month period), Employer may terminate Employee's employment hereunder provided Employee is unable to resume his full-time duties at the conclusion of such notice period. In addition, Employee, upon 60 days written notice, may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of Employee's duties hereunder hazardous to Employee's physical or mental health or life, provided that Employee shall have furnished Employer with a written statement from Employee's doctor and reasonably acceptable to Employer to such effect and provided, further, that, at Employer request made within thirty (30) days of the date of such written statement, Employee shall submit to an examination by a doctor selected by Employer who is reasonably acceptable to Employee or his doctor, and the doctor chosen by Employer shall have concurred in the conclusion of Employee's doctor. If the two doctors cannot agree as to whether or not Employee is so disabled, the two doctors shall designate a third doctor to examine Employee and a majority of the three doctors so selected shall make such determination. In the event this Agreement is terminated by either party as a result of Employee's disability, the Employer shall upon the time of such termination only be required to continue to compensate Employee at his then-current base salary until such time as

any applicable waiting periods under Employer's long-term disability policy provided by Employer shall be exhausted and Employee shall be receiving payments pursuant to policy, at which time, all obligations of the Employer hereunder shall thereupon cease.

(3) Good Cause. Employer may terminate this Agreement at any time ten (10) days after delivery of written notice to Employee for good cause, which shall be limited to the following:

(i) commission of any felony or any crime involving moral turpitude;

(ii) willful breach of Employee's duties to Employer, including but not limited to theft from Employer and failure to fully disclose personal pecuniary interest in a transaction involving Employer.

(iii) engaging in (A) willful misconduct; (B) willful or gross neglect; (C) fraud; (D) misappropriation; or (E) embezzlement, in each case in the performance of his duties hereunder or otherwise.

b. Without Cause.

(1) At any time during the term of this Agreement, Employee may, without cause, terminate this Agreement and Employee's employment, effective ninety (90) days after written notice is provided to Employer at which time, subject to payment of amounts due and owing to Employee pursuant to paragraph 5d., all obligations of the Employer hereunder shall cease.

(2) Employee's employment may be terminated by Employer without cause (and not as the result of death or disability) during the term of this Agreement. In the event Employer terminates Employee's employment without cause, pursuant to this Section 5b.(2), Employee shall receive from Employer in a lump-sum payment due on the effective date of termination, an amount equal to two times his then applicable annual base salary, plus any accrued salary and declared but unpaid bonus and reimbursement of expenses.

c. For Good Reason. In addition to Employee's other rights set forth in this Agreement, Employee may terminate this Agreement at any time thirty (30) days after delivery of notice to the Board for "good reason," which shall be (i) a material diminution during the term of this Agreement in Employee's office, duties or responsibilities (including following any change in control of Employer or Employer's Parent) or (ii) a material breach by Employer of this Agreement. Notwithstanding the foregoing, Employee may not terminate this Agreement for good reason without providing (x) reasonable written notice to the Board setting forth the reasons for Employee's intention to terminate for good reason, (y) an opportunity for the board to meet with Employee, together with legal counsel, and an opportunity by the Board to cure such reason within 15 days after receipt of such notice, and (z) delivery by Employee to the Board of a notice of termination for good reason setting forth the reasons for such termination at which time, subject to Section 5d., all obligations of the Employer hereunder shall cease. Should Employee terminate his employment with Employer pursuant to this Section 5c., Employee shall

receive from Employer, in a lump-sum payment due on the effective date of termination, an amount equal to two times his then applicable base salary, plus any accrued salary and declared but unpaid bonus and reimbursement of expenses.

d. Consequences of Termination.

(1) Upon termination of this Agreement for any reason provided in Sections 5(a) - (c), above, Employer shall pay promptly to Employee all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination specifically set forth in Section 5, if any, will be due and payable to Employee only to the extent and in the manner expressly provided in Section 5 of this Agreement. All other rights and obligations of Employer and Employee under this Agreement shall cease as of the effective date of termination, except that Employer's obligations under Section 3(e) hereof and Employee's obligations under Section 4 hereof shall survive any termination or expiration of this Agreement.

(2) In the event of any termination of Employee's employment for any reason, Employee shall be under no obligation to seek other employment and there shall be no offset against any amounts due to Employee under this Agreement on account of any remuneration attributable to any subsequent employment that Employee may obtain. Any amounts due under this Section 5 are in the nature of severance payments, or liquidated damages, or both, and are not in the nature of a penalty.

(3) Notwithstanding any statement contained in this Agreement to the contrary, upon a termination by the Employer without cause under Section 5b.(2) or by the Employee for Good Reason under Section 5c.: (x) any options or rights to purchase securities of Parent shall immediately vest and remain exercisable until the four year anniversary of the termination of Employee and (y) any restrictions or forfeiture provisions applicable to any securities of the Parent or any subsidiaries of Parent owned beneficially or of record by Employee (or his spouse or estate) shall immediately lapse.

6. PROVISIONS OF GENERAL APPLICATION.

a. **Entire Agreement.** This Agreement contains the entire agreement between the parties and supersedes all prior oral and written agreements, understandings, commitments and practices between the parties. No amendment to this agreement may be made except by a writing signed by both parties and approved by the board of directors of Parent.

b. **Governing Law.** The formation, construction, and performance of this Agreement shall be construed in accordance with, and governed by, the laws of the State of California, and the correct venue for purposes of any proceeding brought to enforce or interpret the provisions of this Agreement shall be deemed to be the County of Santa Clara, State of California.

c. **Notices.** Any notice to Employer required or permitted under this Agreement shall be given in writing to:

(1) Employer, either by personal service or by registered or certified mail, postage prepaid, addressed to the Employer's principal place of business;

(2) H&Q Asia Pacific Limited, One Bush Street, San Francisco, California 94104, U.S.A; and

(3) H&Q (Thailand) Limited, Suite 1207, 12th Floor, Sathorn City Tower, 175 South Sathorn Road, Sathorn, Bangkok 10500, Thailand.

Any such notice to Employee shall be given in writing, and if mailed, shall be addressed to Employee at his home address then shown in Employer's records. For purposes of determining any time limit in this Agreement, a notice shall be deemed to have been duly given (i) on the date of service, if served personally, or (ii) on the second business day after mailing.

d. **Severability.** If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect.

e. **No Assignment.** Neither party may transfer the rights or delegate the duties provided for under the terms of this Agreement without the prior written consent of the other party.

f. **Binding Effect.** This Agreement shall inure to the benefit of, and the obligations hereunder shall continue to be binding upon, the parties respective successors, assigns, heirs, and personal representatives.

g. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

h. **Enforceability; Jurisdictions.** The Employer and the Employee intend to and hereby confer jurisdiction to enforce the covenants specified in Section 4 of this Agreement (the "Covenants") upon the courts of any jurisdiction within the geographical scope of the Covenants. If the courts of any one or more of such jurisdictions hold the Covenants wholly unenforceable by reason of breadth of scope or otherwise, it is the intention of the Employer and the Employee that such determination not bar or in any way affect the Employer's right, or the right of any of its affiliates, to the relief provided above in the courts of any other jurisdiction within the geographical scope of such Covenants, as to breaches of such Covenants in such other respective jurisdictions, such Covenants as they relate to each jurisdiction being, for this purpose, severable, diverse and independent covenants, subject, where appropriate, to the doctrine of res judicata.

i. Employee hereby agrees and acknowledges that as of March 10, 2000, the Employer has not in any way breached any provision of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed on March 10, 2000 and is effective as of the date first set forth above.

EMPLOYER:

EMPLOYEE:

FABRINET, a California corporation

By: /s/ David T. Mitchell
David T. Mitchell, Chairman of
the Board of Directors

/s/ David T. Mitchell
David T. Mitchell

fabrinet[®]C/O Fabrinet Pte., Ltd.
No. 7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987

December 29, 2008

Mr. David T. Mitchell

Re: Amendment to the employment agreement dated January 1, 2000

Dear Tom,

Effective today, Fabrinet (Cayman) ("Fabrinet" or the "Company") modifies the provision of employment regarding severance, to comply with Internal Revenue Code section 409A, by deleting the last sentence of Section 5b.(2) in your employment agreement in its entirety, and replacing it with the following provision:

"In the event Employer terminates Employee's employment without cause, pursuant to this Section 5b.(2), Employee shall receive from Employer a lump sum payment of severance payable within ten (10) business days from the date of his termination of employment equal to (i) two (2) years of his then present base salary, (ii) any accrued salary, (iii) any earned bonus as of the date of his termination from employment, and (iv) any reimbursement of expenses due."

Fabrinet further modifies the provision of employment regarding severance to comply with Internal Revenue Code section 409A, by deleting the last sentence of Section 5c. in your employment agreement in its entirety, and replacing it with the following provisions:

"Should Employee terminate his employment with Employer pursuant to this Section 5c., Employee shall receive from Employer a lump sum payment of severance payable within ten (10) business days from the date of his termination of employment equal to (i) two (2) years of his then present base salary, (ii) any accrued salary, (iii) any earned bonus as of the date of his termination from employment, and (iv) any reimbursement of expenses due.

For purposes of the above paragraph, "change in control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total fair market value or the total voting power of the stock of the Company. For purposes of this clause (i), if any Person is considered to own more than 50% of the Company's total fair market value or total voting power, the acquisition of additional stock of the Company by the same Person will not be considered a change in control; or

(ii) A change in the effective control of the Company which occurs (a) on the date any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company, or (b) on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior

to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a change in control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this clause (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of the above paragraphs, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction shall not be deemed a change in control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further, and for the avoidance of doubt, a transaction shall not constitute a change in control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that shall be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction."

Fabrinet further modifies the provision of employment regarding severance to comply with Internal Revenue Code section 409A, by amending Section 5d. in your employment agreement to include the following provisions:

"(4) Notwithstanding anything to the contrary in this Agreement, no Deferred Compensation Separation Benefits (as defined below) will be considered due or payable until the Employee has incurred a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder (together, "Section 409A").

(5) In addition, if Fabrinet lists its securities on a stock exchange and becomes a public company prior to Employee's involuntary termination of employment, and at the time of such termination it is determined that Employee is a "specified employee" within the meaning of Section 409A, the severance payable to Employee, pursuant to this Agreement, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are payable within the first six (6) months following Employee's termination of employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Employee's termination of employment. Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. In addition, any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section

1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the specified limit in Section 1.409A-1(b)(9)(iii)(A) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The parties to this Agreement agree to work together in good faith to consider amendments to this Agreement, if required, and to take such reasonable actions, which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Employee under Section 409A.”

All other terms and conditions of your employment will remain the same as documented in your employment agreement dated January 1, 2000 and subsequent changes in salary, stock options, responsibilities and other allowances.

Sincerely,

/s/ Mark J. Schwartz

Mark J. Schwartz
CFO & Corporate Secretary
Fabrinet

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No. 7 Temasek Boulevard
#20-03 Suntec City Tower One
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December 29, 2008

Dr. Harpal Gill

Re: Amendment to the offer letter dated May 1, 2005 and subsequently amended on February 14, 2007

Dear Harpal,

Effective today, Fabrinet USA, Inc. ("FUSA" or the "Company") modifies the provision of employment regarding severance, to comply with Internal Revenue Code section 409A, by deleting the paragraph in the February 14, 2007 amendment to the offer letter in its entirety, and replacing it with the following provisions:

"Employment with FUSA is on an at-will basis. Thus, you are free to terminate your employment for any reason at any time with or without prior notice. Similarly, FUSA may terminate the employment relationship with or without cause or notice. However, in the event your employment is terminated: 1) as a result of a change in control; or 2) without good cause, you will receive (A) a lump sum payment of severance payable within ten (10) business days from your termination of employment, equal to (i) twelve (12) months of your then present base salary, and (ii) any earned bonus as of the date of your termination from employment; and (B) if you timely elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), as amended, or a similar state program, reimbursement of the costs to continue family medical coverage for the first twelve (12) months following your termination of employment.

For purposes of the above paragraph, "change in control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total fair market value or the total voting power of the stock of the Company. For purposes of this clause (i), if any Person is considered to own more than 50% of the Company's total fair market value or total voting power, the acquisition of additional stock of the Company by the same Person will not be considered a change in control; or

(ii) A change in the effective control of the Company which occurs (a) on the date any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company, or (b) on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is

considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a change in control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this clause (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of the above paragraphs, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction shall not be deemed a change in control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further, and for the avoidance of doubt, a transaction shall not constitute a change in control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that shall be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

For purposes of the above paragraph, "good cause" means (i) an act of dishonesty made by you in connection with your responsibilities as an employee, (ii) your conviction of or plea of nolo contendere to, a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) your gross misconduct, (iv) your unauthorized use or disclosure of any proprietary information or trade secrets of FUSA or any other party to whom you owe an obligation of nondisclosure as a result of your relationship with FUSA; (v) your willful breach of any obligations under any written agreement or covenant with FUSA; or (vi) your continued failure to perform your employment duties after you have received a written demand of performance from FUSA which specifically sets forth the factual basis for FUSA's belief that you have not substantially performed your duties and have failed to cure such non-performance to FUSA's satisfaction within thirty (30) days after receiving such notice.

Notwithstanding anything to the contrary in this letter, no Deferred Compensation Separation Benefits (as defined below) will be considered due or payable until the Employee has incurred a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder (together, "Section 409A").

In addition, if Fabrinet lists its securities on a stock exchange and becomes a public company prior to your involuntary termination of employment, and at the time of such termination it is determined that you are a "specified employee" within the meaning of Section 409A, the severance payable to you, pursuant to this letter, when considered together with any other severance payments or separation benefits that are considered deferred compensation under

Section 409A (together, the “Deferred Compensation Separation Benefits”) that are payable within the first six (6) months following your termination of employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of your termination of employment. Any amount paid under this letter that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. In addition, any amount paid under this letter that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the specified limit in Section 1.409A-1(b)(9)(iii)(A) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. Each payment and benefit payable under this letter is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The parties to this letter agree to work together in good faith to consider amendments to this letter, if required, and to take such reasonable actions, which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A.”

All other terms and conditions of your employment will remain the same as documented in your offer letter dated May 1, 2005 and subsequent changes in salary, stock options, responsibilities and other allowances.

Sincerely,

/s/ David T. Mitchell

David T. Mitchell
Chairman and CEO

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Fax: 815-333-3648

June 16, 2008

Mark Schwartz
[Home Address]

Ref: Amendment to the offer letter agreement dated April 15, 2000

Dear Mark,

Effective today, the provision of your employment with Fabrinet USA, Inc. ("FUSA") regarding severance is modified as follows:

Employment with FUSA is on an at-will basis. Thus you are free to terminate your employment for any reason at any time with or without prior notice. Similarly, FUSA can terminate the employment relationship with or without cause or notice. However, in the event your employment is terminated: 1) as a result of a change in control; or, 2) without good cause, you will receive a severance equal to 12 months of your then present base salary, plus family 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 your initial offer letter agreement dated April 15, 2000 and subsequent changes in salary, stock options, responsibilities and other allowances.

Sincerely,

/s/ Tom Mitchell

Tom Mitchell
Chairman & CEO

fabrinet[®]C/O Fabrinet Pte., Ltd.
No. 7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987

December 29, 2008

Mr. Mark J. Schwartz

Re: Amendment to the offer letter dated April 15, 2000 and subsequently amended on June 16, 2008

Dear Mark,

Effective today, Fabrinet USA, Inc. ("FUSA" or the "Company") modifies the provision of employment regarding severance, to comply with Internal Revenue Code section 409A, by deleting the paragraph in the June 16, 2008 amendment to the offer letter in its entirety, and replacing it with the following provisions:

"Employment with FUSA is on an at-will basis. Thus, you are free to terminate your employment for any reason at any time with or without prior notice. Similarly, FUSA may terminate the employment relationship with or without cause or notice. However, in the event your employment is terminated: 1) as a result of a change in control; or 2) without good cause, you will receive (A) a lump sum payment of severance payable within ten (10) business days from the date of your termination of employment, equal to (i) twelve (12) months of your then present base salary, and (ii) any earned bonus as of the date of your termination from employment; and (B) if you timely elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), as amended, or a similar state program, reimbursement of the costs to continue family medical coverage for the first twelve (12) months following your termination of employment.

For purposes of the above paragraph, "change in control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total fair market value or the total voting power of the stock of the Company. For purposes of this clause (i), if any Person is considered to own more than 50% of the Company's total fair market value or total voting power, the acquisition of additional stock of the Company by the same Person will not be considered a change in control; or

(ii) A change in the effective control of the Company which occurs (a) on the date any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company, or (b) on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a change in control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this clause (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of the above paragraphs, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction shall not be deemed a change in control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further, and for the avoidance of doubt, a transaction shall not constitute a change in control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that shall be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

For purposes of the above paragraph, "good cause" means (i) an act of dishonesty made by you in connection with your responsibilities as an employee, (ii) your conviction of or plea of nolo contendere to, a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) your gross misconduct, (iv) your unauthorized use or disclosure of any proprietary information or trade secrets of FUSA or any other party to whom you owe an obligation of nondisclosure as a result of your relationship with FUSA; (v) your willful breach of any obligations under any written agreement or covenant with FUSA; or (vi) your continued failure to perform your employment duties after you have received a written demand of performance from FUSA which specifically sets forth the factual basis for FUSA's belief that you have not substantially performed your duties and have failed to cure such non-performance to FUSA's satisfaction within thirty (30) days after receiving such notice.

Notwithstanding anything to the contrary in this letter, no Deferred Compensation Separation Benefits (as defined below) will be considered due or payable until the Employee has incurred a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder (together, "Section 409A").

In addition, if Fabrinet lists its securities on a stock exchange and becomes a public company prior to your involuntary termination of employment, and at the time of such termination it is determined that you are a "specified employee" within the meaning of Section 409A, the severance payable to you, pursuant to this letter, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are payable within the first six (6) months following your termination of employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following

the date of your termination of employment. Any amount paid under this letter that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. In addition, any amount paid under this letter that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the specified limit in Section 1.409A-1(b)(9)(iii)(A) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. Each payment and benefit payable under this letter is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The parties to this letter agree to work together in good faith to consider amendments to this letter, if required, and to take such reasonable actions, which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A."

All other terms and conditions of your employment will remain the same as documented in your offer letter dated April 15, 2000 and subsequent changes in salary, stock options, responsibilities and other allowances.

Sincerely,

/s/ David T. Mitchell

David T. Mitchell
Chairman and CEO

Fabrinet
C/O Fabrinet Pte., Ltd.
No. 7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987

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Fabrinet Co., Ltd. (Thailand)
294 Moo 8, Vibhavadi Rangsit Rd.
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fax: 662-998-9957

fabrinet[®]

Fabrinet (USA)
4104 – 24th Street, Suite 345
San Francisco, CA 94114
Office: 925-934-2048
Fax: 815-333-3648

June 16, 2008

Nat Mani
[Home Address]

Ref: Amendment to the employment agreement dated January 8, 2001

Dear Nat,

Effective today, the provision of your employment with Fabrinet USA, Inc. ("FUSA") regarding severance is modified as follows:

Employment with FUSA is on an at-will basis. Thus you are free to terminate your employment for any reason at any time with or without prior notice. Similarly, FUSA can terminate the employment relationship with or without cause or notice. However, in the event your employment is terminated: 1) as a result of a change in control; or, 2) without good cause, you will receive a severance equal to 12 months of your then present base salary, plus family 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 your employment agreement dated January 8, 2001 and subsequent changes in salary, stock options, responsibilities and other allowances.

Sincerely,

/s/ Tom Mitchell

Tom Mitchell
Chairman & CEO

fabrinet[®]C/O Fabrinet Pte., Ltd.
No. 7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987

December 29, 2008

Mr. Nat Mani

Re: Amendment to the employment agreement dated January 8, 2001 and subsequently amended on June 16, 2008

Dear Nat,

Effective today, Fabrinet USA, Inc. ("FUSA" or the "Company") modifies the provision of employment regarding severance, to comply with Internal Revenue Code section 409A, by deleting the paragraph in the June 16, 2008 amendment to the offer letter in its entirety, and replacing it with the following provisions:

"Employment with FUSA is on an at-will basis. Thus, you are free to terminate your employment for any reason at any time with or without prior notice. Similarly, FUSA may terminate the employment relationship with or without cause or notice. However, in the event your employment is terminated: 1) as a result of a change in control; or 2) without good cause, you will receive (A) a lump sum payment of severance payable within ten (10) business days from the date of your termination of employment, equal to (i) twelve (12) months of your then present base salary, and (ii) any earned bonus as of the date of your termination from employment; and (B) if you timely elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), as amended, or a similar state program, reimbursement of the costs to continue family medical coverage for the first twelve (12) months following your termination of employment.

For purposes of the above paragraph, "change in control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total fair market value or the total voting power of the stock of the Company. For purposes of this clause (i), if any Person is considered to own more than 50% of the Company's total fair market value or total voting power, the acquisition of additional stock of the Company by the same Person will not be considered a change in control; or

(ii) A change in the effective control of the Company which occurs (a) on the date any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company, or (b) on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is

considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a change in control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this clause (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of the above paragraphs, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction shall not be deemed a change in control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further, and for the avoidance of doubt, a transaction shall not constitute a change in control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that shall be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

For purposes of the above paragraph, "good cause" means (i) an act of dishonesty made by you in connection with your responsibilities as an employee, (ii) your conviction of or plea of nolo contendere to, a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) your gross misconduct, (iv) your unauthorized use or disclosure of any proprietary information or trade secrets of FUSA or any other party to whom you owe an obligation of nondisclosure as a result of your relationship with FUSA; (v) your willful breach of any obligations under any written agreement or covenant with FUSA; or (vi) your continued failure to perform your employment duties after you have received a written demand of performance from FUSA which specifically sets forth the factual basis for FUSA's belief that you have not substantially performed your duties and have failed to cure such non-performance to FUSA's satisfaction within thirty (30) days after receiving such notice.

Notwithstanding anything to the contrary in this letter, no Deferred Compensation Separation Benefits (as defined below) will be considered due or payable until the Employee has incurred a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder (together, "Section 409A").

In addition, if Fabrinet lists its securities on a stock exchange and becomes a public company prior to your involuntary termination of employment, and at the time of such termination it is determined that you are a "specified employee" within the meaning of Section 409A, the severance payable to you, pursuant to this letter, when considered together with any other severance payments or separation benefits that are considered deferred compensation under

Section 409A (together, the “Deferred Compensation Separation Benefits”) that are payable within the first six (6) months following your termination of employment, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of your termination of employment. Any amount paid under this letter that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. In addition, any amount paid under this letter that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the specified limit in Section 1.409A-1(b)(9)(iii)(A) of the Treasury Regulations will not constitute Deferred Compensation Separation Benefits for purposes of this paragraph. Each payment and benefit payable under this letter is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The parties to this letter agree to work together in good faith to consider amendments to this letter, if required, and to take such reasonable actions, which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A.”

All other terms and conditions of your employment will remain the same as documented in your employment agreement dated January 8, 2001 and subsequent changes in salary, stock options, responsibilities and other allowances.

Sincerely,

/s/ David T. Mitchell

David T. Mitchell
Chairman and CEO

Fabrinet
C/O Fabrinet Pte., Ltd.
No. 7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987

page - 3 -

Fabrinet Co., Ltd. (Thailand)
294 Moo 8, Vibhavadi Rangsit Rd.
Kookot, Lumlookka
Pathumthane, Thailand 12130
ph: 662-998-9955
fax: 662-998-9957

fabrinet[®]C/O Fabrinet Pte., Ltd.
No. 7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987

November 8, 2008

Mr. William Perry
[Home Address]

Re: Consulting Agreement

Dear Bill,

We are pleased to extend this consulting agreement (“Agreement”) to you, effective October 1, 2008, to act as an advisor to Fabrinet. Your responsibilities will include advising our executive staff on relevant technology trends, market trends, political trends and regulatory issues and, when appropriate, serving as a liaison to Fabrinet’s subsidiaries, suppliers, and customers. Any travel will be reimbursed to you at your actual costs.

The terms of this Agreement are as follows:

Your cumulative annual compensation from Fabrinet will be \$150,000, comprised of the following:

- Compensation for your participation in special and general Board meetings as a member of the Fabrinet Board of Directors (“BOD”);
- The present value of any share option grants, valued using a binomial pricing model, amortized over the vesting period of the grant; and,
- Retainer fee, payable quarterly.

Every twelve months, beginning October 1, 2008, we will provide you with notice of:

- 1) the anticipated Board fees that would result from participating in the anticipated number of BOD meetings for the following 12 month period at the standard independent board member rate; and,
- 2) the present value of any option grants.

We expect this Agreement will be effective during the time you continue to be a member of the Fabrinet BOD, however, we reserve the right to terminate the Agreement for any reason on 90 days notice. Similarly, you are free to terminate this engagement for any reason at any time with 30-day prior notice.

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 terms or other conditions of this agreement, please do not hesitate to contact me.

Sincerely,

/s/ Tom Mitchell

Tom Mitchell
CEO & Chairman of the Board
Fabrinet

I, William Perry, understand and agree to the terms of the Agreement as set out herein.

/s/ William Perry

William Perry

September 30, 2009

Mr. William J. Perry
[Home Address]

Re: Compensation Notice

Dear Bill,

This letter is made to confirm your total compensation, as paid by Fabrinet, in the previous twelve-month period and to provide you with notice of your anticipated compensation for the following twelve months, to be paid by Fabrinet.

For the period beginning October 1, 2008 through September 30, 2009, you were paid total compensation of \$150,000. Your compensation was comprised of \$15,000 of board meeting fees, \$92,617.36 of consulting fees and \$42,382.64 of share based compensation.

At this time, I am pleased to notify you that your future compensation, based on a combination of (1) fees resulting from your participation in the number of regular Fabrinet board meetings expected to be held; (2) the present value of share option grants; and (3) consulting fees, for the twelve-month period beginning October 1, 2009 is anticipated to be as follows:

		<u>Board Meeting Fee</u>	<u>Share Based Compensation Expense</u>	<u>Consulting Fee</u>	<u>Total Quarterly Compensation</u>
01-Oct-09	31-Dec-09	3,000.00	10,595.66	23,904.34	37,500.00
01-Jan-10	31-Mar-10	3,000.00	10,595.66	23,904.34	37,500.00
01-Apr-10	30-Jun-10	3,000.00	10,595.66	23,904.34	37,500.00
01-Jul-10	30-Sep-10	3,000.00	10,595.66	23,904.34	37,500.00
		12,000.00	42,382.64	95,617.36	150,000.00

I trust this is consistent with your records and expectations. If you have any questions or require additional information please contact Tom, Mark or me at your convenience.

Yours Sincerely,

/s/ Pornchai Wessatada

Pornchai Wessatada
Fabrinet

Fabrinet, C/O Fabrinet Pte. Ltd.
7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987
ph: 65-6238-1916
fax: 65-6238-8793

Fabrinet Co., Ltd.
5/6 Moo 6, Soi Khunpra, Phaholyothin Road
Klongnueng, Klongluang
Patumthanee 12120 Thailand
ph: 662 524-9660
fax: 662 524-9661

ADMINISTRATIVE SERVICES AGREEMENT

This Agreement is made effective as of July 3, 2008 by and between:

Fabrinet Pte Ltd, a corporation organized and existing under the laws of Singapore, with its principal place of business located at 7 Temasek Boulevard, #20-03 Suntec City Tower One, Singapore 038987 (the “**Provider**”), and

Fabrinet, an exempt company incorporated and existing under the laws of Cayman Islands, with a place of business located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies (“**Recipient**”); and

Whereas

- (A) The Recipient requires administrative services which Provider can provide;
- (B) Since November 1, 2007, the Provider has provided such services to the Recipient in return for appropriate compensation and the Provider is willing to continue to provide such services in return for appropriate compensation; and
- (C) The intention of this Agreement is to document the existing business arrangement between the parties and nothing herein is intended to contradict or alter in any way the existing terms and conditions of such arrangement.

NOW, THEREFORE, the parties agree as follows:

1. Definitions

For purposes of this Agreement, the following definitions will 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) receive and forward sales orders to the appropriate manufacturing facility at the direction of Recipient, download invoices, print and mail such invoices to customers; and
 - (b) receive purchase orders from Recipient forward to the appropriate suppliers; upon receipt of supplier’s invoices forward such invoices to Recipient for payment processing.

2.2 **Fees Payable to Provider.** As compensation for the Services, Recipient will reimburse Provider for all labor and office expenses incurred by Provider in support of Recipient under this Agreement, including: employee salary and benefits, office space rental, utilities costs, postal and travel expenses. In addition, Recipient will pay Provider a fee for its services equal to five percent (5%) of its expenses ("Service Fee"). Provider may, no more frequently than monthly, request that Recipient advance funds for certain reasonable expenses and Recipient hereby agrees to consent to such reasonable requests. Provider will provide Recipient with a monthly statement of all of the expenses Provider incurred in support of Recipient under this Agreement, plus Provider's Service Fee, the aggregate amount of which will be set off by any advance of funds. Recipient will pay that amount within fifteen (15) days after receipt of a monthly statement from the Provider. The Provider will maintain and make available to Recipient, at its reasonable request, documentation of all employment contracts, and other office expenses.

3. Costs and Expenses

3.1 **The Provider's Expenses.** Except as provided above, all expenses incurred by Provider in the operation of its business will be borne by the Provider.

3.2 **The Recipient's Expenses.** The Recipient will be responsible for all expenses incurred in the operation of 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 will require prior written consent of the Recipient. Any person reasonably considered by the Recipient to be unsuitable for performance of his/her duties will be replaced as soon as practicable with a person designated by the Provider and approved by the Recipient.

5. Confidential Information

Each party will retain in confidence and will 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 its 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 will 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 will continue in full force and effect for a period of three (3) years and will automatically be extended for additional one (1) year periods unless one party notifies the other party, in writing, of its intent to terminate the agreement, pursuant to the notice and termination provisions of Sections 8 and 9 herein.

8. **Termination**

8.1 **By the Provider.** The Provider may, at its sole option, terminate this Agreement by giving written notice of termination to 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 government of the country of either party, the performance of any material obligation under this Agreement 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 will be in writing and given by registered air mail letter or by email to the parties at the following addresses or to such other address as may be furnished by one party to the other:

PROVIDER:

Fabrinet Pte Ltd
7 Temasek Boulevard
#20-03 Suntec City Tower One
Singapore 038987
Email:

RECIPIENT:

Fabrinet
Walker House, 87 Mary Street
GeorgeTown, Grand Cayman,
Cayman Islands, British West Indies
Email:

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 will 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 will 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 will be governed by and interpreted in accordance with the laws of Singapore and any dispute or claim arising out of this Agreement will have its venue in Singapore.

14. Counterpart

This Agreement is made in duplicate, each of which will be an original and held by each party, but all counterparts will 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 PTE LTD**

/s/ Mark J. Schwartz

Name: Mark J. Schwartz
Title: Director

**RECIPIENT
FABRINET**

/s/ David T. Mitchell

Name: David T. Mitchell
Title: Chairman and CEO

(Translation)

TMB Bank Public Company Limited**Supplemental Memorandum of Agreement (2nd)**

Simummuang Market-Rangsit Branch

Date: December 14, 2007

We, Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lamlukka, Pathumthani province, registration No.0105542073726 and Fabrinet, with office located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies, hereinafter referred to as "Borrower" hereby enter into this agreement with TMB Bank Public Company Limited, hereinafter referred to as the "Bank".

Whereas Fabrinet Co., Ltd. and/or FABRINET, as the Borrower, has executed the loan agreement dated March 4, 2004 in the total amount of US\$ 6,000,000.00 (six million only) and Memorandum of agreement dated 4 March 2004, hereinafter together referred to as the "Loan Agreement".

The Borrower has consented to amend some conditions and confirmations of the Loan agreements as follows:

1. The Borrower and Bank agree to cancel all of the contents in Clause 12 of the Loan agreement and then proceed with this content instead.
"12. 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. The Borrower and Bank agree to cancel all of the contents in Clause 3 of the Memorandum of agreement and then proceed with this content instead.
"3. The Borrower shall inform the bank within 90 days after any changes in major shareholders or key management or members of the board of directors or authorized signatory or company's stamp or Amendment of memorandum or Articles of association or any other significant matters that could affect the financial and business operations of the company."
3. The Borrower and Bank agree to cancel all of the contents in Clause 4 of the Memorandum of agreement and then proceed with this content instead.
"4. The Borrower confirms that, on the Loan Agreement date, Mr. David Thomas Mitchell is the key shareholder, holding twenty (20)% of total shares, and is the chairman of the Company. If his shareholding percentage falls below ten (10)% or if he ends his office as the key management, the Borrower shall notify the Bank within thirty (30) days after his share dilution or ending his management."
4. The Borrower and Bank agree to cancel all of the contents in Clause 5.1 of the Memorandum of agreement and then proceed with this content instead.

"5.1 The Borrower shall maintain the debt service coverage ratio (DSCR) at not lower than 2.50. The DSCR is calculated as follows:

Earnings before interest and depreciation and amortization + Cash on Hand – Short-term Debt

Current portion of Long-term Debt + Interest Expenses

5. The Borrower and Bank agree to cancel all of the contents in Clause 6 and Clause 12 of the Memorandum of agreement.

6. The Borrower and Bank agree to cancel all of the contents in Clause 11 of the Memorandum of agreement and then proceed with this content instead.

"11. The Borrower may pay dividend when only the Borrower is able to repay principal, pay interest and fees incurred relating to credit facilities when due."

7. The Borrower and Bank agree to cancel all of the contents in Clause 13 of the Memorandum of agreement and then proceed with this content instead.

"13 The Borrower shall maintain its Debt Service Coverage Ratio (DSCR) after payment of dividend at not lower than 2.50, using the calculation basis under Clause 5.1"

8. The Borrower accept that all collateral such as pledge, mortgage, guarantee or any other collateral provided under the Loan agreement are still the collateral under this memorandum.

9. The Borrower and Bank agree that all enclosed documents and all other supporting documents relevant to this agreement are part of the Loan agreement and are useful one another. If the Borrower is not abiding by any single conditions, the Borrower shall be deemed to be in default of the Loan agreement and the Bank has the right to demand all payments suddenly.

10. If the Borrower is in default or fails in breach of any provisions as provided in this memorandum or the Loan agreement, 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 Bank shall be entitled to enforce the debt immediately, and the Borrower agrees to immediately pay debt hereunder in full together with its interest at the default rate from the date of default until complete payment is made. Additionally, the Bank still has rights in all actions to pursue anything according to the Loan agreement with the Borrower.

11. The Borrower and Bank apparently agree that doing this agreement does not mean to be converting the loan and treating this document is part of Loan agreement. Words or contents in this document have the same meaning as meaning in Loan agreement except for that content is specified especially to show in other meanings and it will be effective from 14 December 2007 onward.

If terms and conditions are not mentioned clearly in this memorandum, the loan agreement will be applied.

In Witness Whereof, the Borrower has thoroughly read and understood the contents above, and has therefore signed (with seal affixed) in the presence of witnesses.

(Seal)

Signed _____ *-Signature-* _____ Company
(Mr. Soon Kaewchansilp)
Authorized Director of the Company

FABRINET

Signed _____ *-Signature-* _____ Company
(Mr. David Thomas Mitchell, President & CEO)
Authorized Director of the Company

Signed _____ *-Signature- and seal* _____ Bank

TMB BANK PUBLIC COMPANY LIMITED
(Mrs. Thungchai Tumthong) (Mr. Thungchai Harnpongsajit)

Signed _____ *-Signature-* _____ Witness
(Mrs. Nongluck Youngpituck)

Signed _____ *-Signature-* _____ Witness
(Mr. Supat Masnithat)

(Translation)

TMB Bank Public Company Limited

[] Head office

[/] Simummuang Market- Rangsit Branch

Memorandum of Agreement

Date: August 8, 2008

Whereas Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lam Lukka, Pathumthani province, registration No.0105542073726 (formerly 1158/2542) (hereinafter referred to as "Fabrinet Co., Ltd.") and Fabrinet, with office located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies (hereinafter referred to as "Fabrinet") (hereinafter together referred "Fabrinet Co., Ltd." and "Fabrinet" to as "Borrower") has received the loan in the amount of US\$ 6,000,000 (Six Million Only) from TMB Bank Public Company Limited (hereinafter referred to as the "Bank") pursuant to Loan agreement dated 4 March 2004, Memorandum dated 4 March 2004, Memorandum of agreement dated 4 March 2004 and Supplemental Memorandum (2nd) dated 14 December 2007 (hereinafter together referred to as "Loan agreement")

The Borrower wishes to provide additionally adjusting in some conditions and confirmations of the Loan agreements. The Borrower and Bank therefore execute this Memorandum as follows:

1. This is to cancel all of the contents in Clause 5 in regard to Memorandum of the Loan agreement dated 4 March 2004 and then proceed with this content instead.

"5. Fabrinet 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 Fabrinet shall maintain the debt service coverage ratio (DSCR) at not lower than 2.50. The DSCR is calculated as follows:

Earnings before interest and depreciation and amortization + Cash on Hand – Short-term Debt

Current portion of Long-term Debt + Interest Expenses

5.2 Fabrinet shall maintain its Debt to Equity Ratio (D/E Ratio) at no more than 2.00. The D/E ratio is calculated as follows:

Total Liabilities including contingent liabilities

Shareholder's and equity - Intangible asset - Related party receivable - Investment

2. This is to cancel all of the contents in Clause 13 in regard to Memorandum of the Loan agreement dated 4 March 2004 and then proceed with this content instead.

"13. Fabrinet shall maintain its Debt Service Coverage Ratio (DSCR) after payment of dividend at not lower than 2.50, using the calculation basis under Clause 5.1"

3. The Borrower accept that all collateral such as pledge, mortgage, guarantee or any other collateral provided under the Loan agreement are still the collateral under this memorandum.

4. If the Borrower is in default or fails to comply with the Loan agreement and/or this memorandum, the Borrower shall be deemed to be in default of this memorandum and Loan agreement. The Bank can charge interest at the default rate per the Loan agreement. Additionally, the Bank still maintains its right to enforce the Borrower the Loan agreement.

5. The Borrower and the Bank apparently agree that concluding this memorandum does not mean to be converting the loan and is to be treated this memorandum as part of the Loan agreement. Words or contents in this memorandum have to be the same meaning as meaning in Loan agreement except for that this memorandum defines in other meanings.

If terms and conditions are not mentioned clearly in this memorandum, the loan agreement will be applied.

In Witness Whereof, the Borrower has thoroughly read and understood the contents above, and has therefore signed (with seal affixed) in the presence of witnesses on the date written above.

Fabrinet Co., Ltd.

(Seal)

Signed -*Signature*- Company
(Mr. Soon Kaewchansilp)
Authorized Director of the Company

FABRINET

Signed -*Signature*- Company
(Mr. David Thomas Mitchell, President & CEO)
Authorized Director of the Company

Signed -*Signature*- and seal Bank

TMB BANK PUBLIC COMPANY LIMITED
(Mrs. Jitchanok Danwangdem) (Mr. Surachai Tangmunanuntakul)

Signed -*Signature*- Witness
(Mrs. Nongluck Youngpituck)

Signed -*Signature*- Witness
(Mr. Supat Masnithat)

(Translation)

TMB Bank Public Company Limited**Supplemental Memorandum of Agreement (2nd)**

Simummuang Market-Rangsit Branch

Date: December 14, 2007

We, Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lam Lukka, Pathumthani province, registration No.0105542073726 and Fabrinet, with office located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies, hereinafter referred to as "Borrower" hereby enter into this agreement with TMB Bank Public Company Limited, hereinafter referred to as the "Bank".

Whereas Fabrinet Co., Ltd. and/or FABRINET, as the Borrower, has executed the loan agreement dated June 6, 2005 in the total amount of US\$ 8,000,000.00 (Eight million only) and Memorandum of agreement dated 6 June 2005, hereinafter together referred to as the "Loan Agreement".

The Borrower has consented to amend some conditions and confirmations of the Loan agreements as follows:

1. The Borrower and Bank agree to cancel all of the contents in Clause 12 of the Loan agreement and then proceed with this content instead.
"12. 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. The Borrower and Bank agree to cancel all of the contents in Clause 3 of the Memorandum of agreement and then proceed with this content instead.
"3. The Borrower shall inform the bank within 90 days after any changes in major shareholders or key management or members of the board of directors or authorized signatory or company's stamp or Amendment of memorandum or Articles of association or any other significant matters that could affect the financial and business operations of the company."
3. The Borrower and Bank agree to cancel all of the contents in Clause 5.1 of the Memorandum of agreement and then proceed with this content instead.

"5.1 The Borrower shall maintain the debt service coverage ratio (DSCR) at not lower than 2.50. The DSCR is calculated as follows:

Earnings before interest and depreciation and amortization + Cash on Hand – Short-term Debt

Current portion of Long-term Debt + Interest Expenses

4. The Borrower and Bank agree to cancel all of the contents in Clause 6 and Clause 12 of the Memorandum of agreement.

5. The Borrower and Bank agree to cancel all of the contents in Clause 11 of the Memorandum of agreement and then proceed with this content instead.

"11. The Borrower may pay dividend when only the Borrower is able to repay principal, pay interest and fees incurred relating to credit facilities when due."

6. The Borrower and Bank agree to cancel all of the contents in Clause 13 of the Memorandum of agreement and then proceed with this content instead.

"13 The Borrower shall maintain its Debt Service Coverage Ratio (DSCR) after payment of dividend at not lower than 2.50, using the calculation basis under Clause 5.1"

7. The Borrower accept that all collateral such as pledge, mortgage, guarantee or any other collateral provided under the Loan agreement are still the collateral under this memorandum.

8. The Borrower and Bank agree that all enclosed documents and all other supporting documents relevant to this agreement are part of the Loan agreement and are useful one another. If the Borrower is not abiding by any single conditions, the Borrower shall be deemed to be in default of the Loan agreement and the Bank has the right to demand all payments suddenly.

9. If the Borrower is in default or fails in breach of any provisions as provided in this memorandum or the Loan agreement, 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 Bank shall be entitled to enforce the debt immediately, and the Borrower agrees to immediately pay debt hereunder in full together with its interest at the default rate from the date of default until complete payment is made. Additionally, the Bank still has rights in all actions to pursue anything according to the Loan agreement with the Borrower.

10. The Borrower and Bank apparently agree that doing this agreement does not mean to be converting the loan and treating this document is part of Loan agreement. Words or contents in this document have the same meaning as meaning in Loan agreement except for that content is specified especially to show in other meanings and it will be effective from 14 December 2007 onward.

If terms and conditions are not mentioned clearly in this memorandum, the loan agreement will be applied.

In Witness Whereof, the Borrower has thoroughly read and understood the contents above, and has therefore signed (with seal affixed) in the presence of witnesses.

(Seal)

Signed _____ *-Signature-* _____ Company
(Mr. Soon Kaewchansilp)
Authorized Director of the Company

FABRINET

Signed _____ *-Signature-* _____ Company
(Mr. David Thomas Mitchell, President & CEO)
Authorized Director of the Company

Signed _____ *-Signature- and seal* _____ Bank

TMB BANK PUBLIC COMPANY LIMITED
(Mrs. Thungchai Tumthong) (Mr. Thungchai Harnpongsajit)

Signed _____ *-Signature-* _____ Witness
(Mrs. Nongluck Youngpituck)

Signed _____ *-Signature-* _____ Witness
(Mr. Supat Masnithat)

(Translation)

TMB Bank Public Company Limited

[] Head office

[/] Simummuang Market- Rangsit Branch

Memorandum of Agreement

Date: August 8, 2008

Whereas Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lamlukka, Pathumthani province, registration No.0105542073726 (formerly 1158/2542) (hereinafter referred to as "Fabrinet Co., Ltd.") and Fabrinet, with office located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies (hereinafter referred to as "Fabrinet") (hereinafter together referred "Fabrinet Co., Ltd." and "Fabrinet" to as "Borrower") has received the loan in the amount of US\$ 8,000,000 (Eight Million Only) from TMB Bank Public Company Limited (hereinafter referred to as the "Bank") pursuant to Loan agreement dated 6 June 2005, Memorandum of agreement dated 6 June 2005 and Supplemental Memorandum (2nd) dated 14 December 2007 (hereinafter together referred to as "Loan agreement")

The Borrower wishes to provide additionally adjusting in some conditions and confirmations of the Loan agreements. The Borrower and Bank therefore execute this Memorandum as follows:

1. This is to cancel all of the contents in Clause 5 in regard to Memorandum of the Loan agreement dated 6 June 2005 and then proceed with this content instead.

"5. Fabrinet 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 Fabrinet shall maintain the debt service coverage ratio (DSCR) at not lower than 2.50. The DSCR is calculated as follows:

Earnings before interest and depreciation and amortization + Cash on Hand – Short-term Debt

Current portion of Long-term Debt + Interest Expenses

5.2 Fabrinet shall maintain its Debt to Equity Ratio (D/E Ratio) at no more than 2.00. The D/E ratio is calculated as follows:

Total Liabilities including contingent liabilities

Shareholder's and equity - Intangible asset - Related party receivable - Investment

2. This is to cancel all of the contents in Clause 13 in regard to Memorandum of the Loan agreement dated 6 June 2005 and then proceed with this content instead.

"13. Fabrinet shall maintain its Debt Service Coverage Ratio (DSCR) after payment of dividend at not lower than 2.50, using the calculation basis under Clause 5.1"

3. The Borrower accept that all collateral such as pledge, mortgage, guarantee or any other collateral provided under the Loan agreement are still the collateral under this memorandum.

4. If the Borrower is in default or fails to comply with the Loan agreement and/or this memorandum, the Borrower shall be deemed to be in default of this memorandum and Loan agreement. The Bank can charge interest at the default rate per the Loan agreement. Additionally, the Bank still maintains its right to enforce the Borrower the Loan agreement.

5. The Borrower and the Bank apparently agree that concluding this memorandum does not mean to be converting the loan and is to be treated this memorandum as part of the Loan agreement. Words or contents in this memorandum have to be the same meaning as meaning in Loan agreement except for that this memorandum defines in other meanings.

If terms and conditions are not mentioned clearly in this memorandum, the loan agreement will be applied.

In Witness Whereof, the Borrower has thoroughly read and understood the contents above, and has therefore signed (with seal affixed) in the presence of witnesses on the date written above.

Fabrinet Co., Ltd.

(Seal)

Signed -*Signature*- Company
(Mr. Soon Kaewchansilp)
Authorized Director of the Company

FABRINET

Signed -*Signature*- Company
(Mr. David Thomas Mitchell, President & CEO)
Authorized Director of the Company

Signed -*Signature*- and seal Bank

TMB BANK PUBLIC COMPANY LIMITED
(Mrs. Jitchanok Danwangdem) (Mr. Surachai Tangmunanuntakul)

Signed -*Signature*- Witness
(Mrs. Nongluck Youngpituck)

Signed -*Signature*- Witness
(Mr. Supat Masnithat)

(Translation)

TMB Bank Public Company Limited**Supplemental Memorandum of Agreement**

Simummuang Market-Rangsit Branch

Date: December 14, 2007

We, Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lamlukka, Pathumthani province, registration No.0105542073726 and Fabrinet, with office located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies, hereinafter referred to as "Borrower" hereby enter into this agreement with TMB Bank Public Company Limited, hereinafter referred to as the "Bank".

Whereas Fabrinet Co., Ltd. and/or FABRINET, as the Borrower, has executed the loan agreement dated April 4, 2007 in the total amount of US\$ 22,000,000.00 (Twenty two million only), hereinafter referred to as the "Loan Agreement".

The Borrower has consented to amend some conditions and confirmations of the Loan agreements as follows:

1. The Borrower and Bank agree to cancel all of the contents in Clause 11.3 of the Loan agreement and then proceed with this content instead.
"11.3. The Borrower shall inform the bank within 90 days after any changes in major shareholders or key management or members of the board of directors or authorized signatory or company's stamp or Amendment of memorandum or Articles of association or any other significant matters that could affect the financial and business operations of the company."
2. The Borrower and Bank agree to cancel all of the contents in Clause 11.6 of the Loan agreement and then proceed with this content instead.
"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 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."
3. The Borrower and Bank agree to cancel all of the contents in Clause 11.16 of the Loan agreement and then proceed with this content instead.

“11.16. The Borrower confirms that, on the Loan Agreement date, Mr. David Thomas Mitchell is the key shareholder, holding twenty (20)% of total shares, and is the chairman of the Company. If his shareholding percentage falls below ten (10)% or if he ends his office as the key management, the Borrower shall notify the Bank within thirty (30) days after his share dilution or ending his management.”

4. The Borrower and Bank agree to cancel all of the contents in Clause 11.18 of the Loan agreement and then proceed with this content instead.

“11.18. The Borrower shall deposit the reserve in the Debt Service Reserve Account as a reserve for repayment of the principal and interest within three-month after the starting of manufacturing date”

5. The Borrower and Bank agree to cancel all of the contents in Clause 12.6 (e) of the Loan agreement.

6. The Borrower accept that all collateral such as pledge, mortgage, guarantee or any other collateral provided under the Loan agreement are still the collateral under this memorandum.

7. The Borrower and Bank agree that all enclosed documents and all other supporting documents relevant to this agreement are part of the Loan agreement and are useful one another. If the Borrower is not abiding by any single conditions, the Borrower shall be deemed to be in default of the Loan agreement and the Bank has the right to demand all payments suddenly.

8. If the Borrower is in default or fails in breach of any provisions as provided in this memorandum or the Loan agreement, 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 Bank shall be entitled to enforce the debt immediately, and the Borrower agrees to immediately pay debt hereunder in full together with its interest at the default rate from the date of default until complete payment is made. Additionally, the Bank still has rights in all actions to pursue anything according to the Loan agreement with the Borrower.

9. The Borrower and Bank apparently agree that doing this agreement does not mean to be converting the loan and treating this document is part of Loan agreement. Words or contents in this document have the same meaning as meaning in Loan agreement except for that content is specified especially to show in other meanings and it will be effective from 14 December 2007 onward.

If terms and conditions are not mentioned clearly in this memorandum, the loan agreement will be applied.

In Witness Whereof, the Borrower has thoroughly read and understood the contents above, and has therefore signed (with seal affixed) in the presence of witnesses.

Fabrinet Co., Ltd.

(Seal)

Signed -Signature- Company
(Mr. Soon Kaewchansilp)
Authorized Director of the Company

FABRINET

Signed _____ *-Signature-* _____ Company
(Mr. David Thomas Mitchell, President & CEO)
Authorized Director of the Company

Signed _____ *-Signature-* and seal _____ Bank

TMB BANK PUBLIC COMPANY LIMITED
(Mrs. Thongchai Tumthong) (Mr. Thongchai Harnpongsajit)

Signed _____ *-Signature-* _____ Witness
(Mrs. Nongluck Youngpituck)

Signed _____ *-Signature-* _____ Witness
(Mr. Supat Masnithat)

(Translation)

TMB Bank Public Company Limited

[] Head office

[/] Simummuang Market- Rangsit Branch

Memorandum of Agreement

Date: August 8, 2008

Whereas Fabrinet Co., Ltd., with office located at No. 294 Moo 8, Vibhavadee Rangsit Road, Tambol Kukot, Amphur Lam Lukka, Pathumthani province, registration No.0105542073726 (formerly 1158/2542) and Fabrinet, with office located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies (hereinafter together referred to as "Borrower") has received the loan in the amount of US\$ 22,000,000 (Twenty Two Million Only) from TMB Bank Public Company Limited (hereinafter referred to as the "Bank") pursuant to Loan agreement dated 4 April 2007 and Supplemental Memorandum of Agreement dated 14 December 2007 (hereinafter together referred to as "Loan agreement")

The Borrower wishes to provide additionally adjusting in some conditions and confirmations of the Loan agreements. The Borrower and Bank therefore execute this Memorandum as follows:

1. This is to cancel all of the contents in Clause 11.18 of the Loan agreement

2. This is to cancel all of the contents in Clause 11.19 of the Loan agreement and then proceed with this content instead

"11.19. Fabrinet shall maintain financial ratios 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 earnings 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 total liabilities including contingent liabilities divided by equity minus intangible assets minus receivables from related company and directors minus investment.

3. The Borrower accept that all collateral such as pledge, mortgage, guarantee or any other collateral provided under the Loan agreement are still the collateral under this memorandum.

4. If the Borrower is in default or fails to comply with the Loan agreement and/or this memorandum, the Borrower shall be deemed to be in default of this memorandum and Loan agreement. The Bank can charge interest at the default rate per the Loan agreement. Additionally, the Bank still maintains its right to enforce the Borrower the Loan agreement.

5. The Borrower and the Bank apparently agree that concluding this memorandum does not mean to be converting the loan and is to be treated this memorandum as part of the Loan agreement. Words or contents in this memorandum have to be the same meaning as meaning in Loan agreement except for that this memorandum defines in other meanings.

If terms and conditions are not mentioned clearly in this memorandum, the loan agreement will be applied.

In Witness Whereof, the Borrower has thoroughly read and understood the contents above, and has therefore signed (with seal affixed) in the presence of witnesses on the date written above.

Fabrinet Co., Ltd.

(Seal)

Signed -*Signature*- Company
(Mr. Soon Kaewchansilp)
Authorized Director of the Company

FABRINET

Signed -*Signature*- Company
(Mr. David Thomas Mitchell, President & CEO)
Authorized Director of the Company

Signed -*Signature*- and seal Bank

TMB BANK PUBLIC COMPANY LIMITED
(Mrs. Jitchanok Danwangdem) (Mr. Surachai Tangmunanuntakul)

Signed -*Signature*- Witness
(Mrs. Nongluck Youngpituck)

Signed -*Signature*- Witness
(Mr. Supat Masnithat)

Subsidiaries
of
Fabrinet,
a Cayman Islands exempted limited liability company

<u>Subsidiary</u>	<u>Jurisdiction</u>
Fabrinet Co., Ltd.	Thailand
Fabrinet USA, Inc.	California
FBN New Jersey Manufacturing, Inc.	Delaware
Fabrinet China Holdings	Mauritius
CASIX, Inc.	People's Republic of China
Fabrinet Pte. Ltd.	Singapore



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15th Floor, Bangkok City Tower
179/74-80 South Sathorn Road
Bangkok 10120
Thailand
Telephone +66 2 286 9999, 344 1000
Facsimile +66 2 286 5050

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 September 2, 2009 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

Bangkok, Thailand
November 20, 2009