Risk Factors Comparison 2023-08-29 to 2022-09-20 Form: 10-K

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Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. ~~Any of the following risks and uncertainties may be exacerbated by the impacts of the COVID- 19 pandemic and related events.~~ Risk Factor Summary ~~•~~ Risks Related to Our Business • **We** ~~Our business operations and financial performance~~ may be adversely affected by the **macroeconomic conditions** ~~COVID- 19 pandemic~~ and ~~related events~~ **cyclicality of the semiconductor industry** . • The decline of personal computing (" PC ") markets may have a material adverse effect on our results of operations. • Our strategy of diversification into different market segments may not succeed according to our expectations. • Our operating results may fluctuate from period to period due to many factors, which may make it difficult to predict our future performance. • Geopolitical and economic conflicts between United States and China may adversely affect our business. • Our **lack of control over the JV Company may adversely affect our operations. • Our** revenue may fluctuate significantly from period to period due to ordering patterns from our distributors and seasonality. • We may not be able to introduce or develop new and enhanced products that meet or are compatible with our customer' s product requirements in a timely manner. • We may not win sufficient designs, or our design wins may not generate sufficient revenue for us to maintain or expand our business. • Our success depends upon the ability of our OEM end customers to successfully sell products incorporating our products. • The operation of our Oregon Fab subjects us to additional risks and the need for additional capital expenditures which may negatively impact our results of operations ~~. • We may not be able to successfully develop our digital power business~~ . • Defects and poor performance in our products could result in loss of customers, decreased revenue, unexpected expenses and loss of market share. • If we do not forecast demand for our products accurately, we may experience product shortages, delays in product shipment, excess product inventory, or difficulties in planning expenses, which will adversely affect our business and financial condition. • We face intense competition and may not be able to compete effectively which could reduce our revenue and market share. • Our reliance on third- party semiconductor foundries to manufacture our products subjects us to risks ~~. • Our operation of two wholly- owned packaging and testing facilities are subject to risks that could adversely affect our business and financial results~~ . • Our reliance on distributors to sell a substantial portion of our products subjects us to a number of risks. • We have made and may continue to make strategic acquisitions of other companies, assets or businesses and these acquisitions introduce significant risks and uncertainties. • If we are unable to obtain raw materials in a timely manner or if the price of raw materials increases significantly, production time and product costs could increase, which may adversely affect our business. • We may not be able to accurately estimate provisions at fiscal period end for price adjustment and stock rotation rights under our agreements with distributors, and our failure to do so may impact our operating results. • **Our operation of two wholly- owned packaging and testing facilities are subject to risks that could adversely affect our business and financial results. • We may be adversely affected by any disruption in our information technology systems. •** We depend on the continuing services of our senior management team and other key personnel ~~, and if we lose a member of our senior management or are unable to successfully retain, recruit and train key personnel, our ability to develop and market our products could be harmed~~ . • Failure to protect our patents and our other proprietary information could harm our business and competitive position. • Intellectual property disputes could result in lengthy and costly arbitration, litigation or licensing expenses or prevent us from selling our products. • The DOJ government investigation and evolving export control regulations may adversely affect our financial performance and business operations ~~. • We may be adversely affected by any disruption in our information technology systems~~ . • Global or regional economic, political and social conditions could adversely affect our business and operating results. • Our business operations could be significantly harmed by natural disasters or global epidemics. • Our insurance may not cover all losses, including losses resulting from business disruption or product liability claims. • Our international operations subject our company to risks not faced by companies without international operations. • If we fail to maintain an effective ~~system of~~ internal control **environment as well as adequate control procedures** over **our** financial reporting, ~~we~~ **investor confidence** may ~~not~~ be ~~able to accurately report our financial results~~ **adversely affected thereby affecting the value of** ~~or~~ **our** ~~prevent fraud~~ **stock price** . • We are subject to the risk of increased income taxes and changes in existing tax rules. • Our debt agreements include financial covenants that may limit our ability to pursue business and financial opportunities and subject us to risk of default. • The imposition of U. S. corporate income tax on our Bermuda parent and non- U. S. subsidiaries could adversely affect our results of operations. • We may be classified as a passive foreign investment company (" PFIC "), which could result in adverse U. S. federal income tax consequences for U. S. holders. • The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenue and gross margins ~~. • We may be adversely affected by the cyclicality of the semiconductor industry~~ . Risks Related to Doing Business in China • China' s economic, political and social conditions, as well as government policies, could affect our business and growth. • Changes in China' s laws, legal protections or government policies on foreign investment in China may harm our business. • The continuing potential for new or additional tariffs on imported goods from China could adversely affect our business operations. • ~~Substantial uncertainties~~ **Uncertainties** exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact us. • Limitations on our ability to transfer funds to our China subsidiaries could adversely affect our ability to expand our operations, make investments that could benefit our businesses and otherwise fund and conduct our business. • China' s currency exchange control and government restrictions on investment repatriation may impact our ability to transfer funds outside of China. • The M & A

Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China. • Our results of operations may be negatively impacted by fluctuations in foreign currency exchange rates between U. S. dollar and Chinese Yuan, or RMB. • PRC labor laws may adversely affect our results of operations. • Relations between Taiwan and China could negatively affect our business, financial condition and operating results and, therefore, the market value of our common shares. ~~•~~ Risks Related to Our Corporate Structure and Our Common Shares ~~.~~ • Our share price may be volatile and you may be unable to sell your shares at or above the purchase price, if at all. • If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our common shares or if our operating results do not meet their expectations, the trading price of our common shares could decline. • Anti- takeover provisions in our bye- laws could make an acquisition of us more difficult and may prevent attempts by our shareholders to replace or remove our current management. • We are a Bermuda company and the rights of shareholders under Bermuda law may be different from U. S. laws. Our ~~business operations~~ - **operating results and financial conditions are affected by downturns in the semiconductor industry, changes in end- market demand and other macro- economic trends. The semiconductor industry periodically experiences significant economic downturns characterized by diminished product and end- market demand, production overcapacity, excess inventory, which can result in rapid significant decline in shipment and sales, which may harm our operating results and financial condition. The semiconductor market is also highly cyclical and is characterized by constant and rapid technological change such as product obsolescence and price erosion, evolving standards, uncertain product life cycles and wide fluctuations in product supply and demand. Since mid- 2022, we** have ~~been impacted by~~ **experienced an industry- wide decline of customer demand for semiconductor products due primarily to** the ~~global~~ **build- up of excess inventory prior to the cessation of the** COVID- 19 pandemic ~~and the resulting economic downturn~~ . **This decline has** ~~Numerous governmental jurisdictions, including the States of California, Oregon and Texas in the U. S. and countries throughout the Asia Pacific region have imposed various restrictions on commercial activities, resulting in business closures, work stoppages, labor shortage, disruptions to ports, vaccine mandates and other shipping infrastructure, border closures, thereby~~ negatively ~~impacting~~ **affected** our **recent financial performance** ~~customers, suppliers, distributors, employees, offices, and the entire semiconductor ecosystem. As a result of the COVID- 19 pandemic and changing consumer behaviors due to various government restrictions and the growing trend to provide remote- working options by employers, we have experienced shifting market trends, including an increasing demand~~ in **2023** ~~markets for notebooks, PCs, gaming devices and other products~~ . While we ~~have benefited from~~ **expect some recovery of** the ~~increasing demand for PC related products~~ **macroeconomic trend by the end of 2023 and early 2024** , there is no guarantee that **it** ~~this trend~~ will **occur** ~~continue,~~ and **a prolonged** ~~such increasing demand may discontinue or decline if government authorities relax or terminate COVID- 19 related restrictions~~ and **extended downturn** ~~consumer behaviors change~~ in ~~response to the reopening of certain economic activities. Since the start of the second quarter of calendar year 2021, there~~ -- **the semiconductor industry will** have ~~been increasing availability and administration of vaccines against COVID- 19, as well as an easing of restrictions on social, business, travel, and government activities and functions, and~~ a **substantial** ~~gradual resumption of economic activities and consumer spending in our industries. However, infection rates continued to fluctuate in various regions and new strains of the virus remain a risk, including a surge of COVID- 19 cases and hospitalization due to the spread of Omicron variants in late 2021 and early 2022. During the first half of calendar year of 2022, COVID- 19 cases and hospitalization rate continued to decline and governments in various jurisdictions, including the U. S. and Europe, have lifted various restrictions and limitations on economic activities. At the same time, however, new variants of COVID- 19, including the BA. 5 variant, continued to emerge and contributed to recent rise of infection rates in various jurisdictions in which we operate, including China and U. S. Furthermore, we may be subject to the ongoing global impacts resulting from the pandemic, including disruption of the product supply chains, shortages of semiconductor components and raw materials, and delays in shipments, product development, and product launches and rising inflation rates, any of which may adversely affect our operations. In addition, actions by United States federal, state and local governments, as well as by foreign governments, to address the COVID- 19 pandemic, including travel bans, stay- at- home orders and school, business and entertainment venue closures, also had a significant adverse effect on the markets in which we conduct our businesses. COVID- 19 poses the risk that our workforce, suppliers, and other partners may be prevented from conducting normal business activities for an extended period of time, including due to shutdowns or stay- at- home orders that may be requested or mandated by governmental authorities. In April 2022, the city of Shanghai, China entered into a strict lockdown due to surging COVID- 19 cases and the local government' s imposition of the " Zero Covid " policy. Our packaging and assembly facilities in Shanghai were shut down and production was halted since early April. Transportation suspension in and out of Shanghai also interrupted the shipping of raw materials and finished parts to and from our Songjiang factory. We received permission to reopen our facilities partially in early May. We gradually ramped up production at these facilities in May 2022 and returned to normal operation in June 2022. The suspension of our Shanghai facilities, and factors limiting the resumption of production, reduced our ability to complete orders from our customers in a timely manner, which adversely affected our revenue and results of operation for the three months ended June 30, 2022. There is no guarantee that additional restrictions and lockdown will not be reimposed by the government, which is outside of our control, and any extension of the lockdown will continue to have a negative~~ impact on our **operating** results ~~of operations~~ and financial conditions . We also expect to incur additional...... our business operations and results of operations . A significant amount of our revenue is derived from sales of products in the PC markets such as notebooks, motherboards and notebook battery packs. Our revenue from the PC markets accounted for approximately **35. 2 %,** 44. 5 % ~~,~~ **and** 42. 5 ~~% and 41. 1~~ % of our total revenue for the years ended June 30, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. The increasing popularity of smaller, mobile computing devices such as tablets and smart phones with touch interfaces is rapidly changing the PC markets both in the United States and abroad. In the past **prior** ~~, we experienced a significant reduction in the demand for our products due~~ to the **commencement** ~~declining PC~~

~~markets, which had negatively impacted our revenue, profitability and gross margin. While we recently experienced resurgence of demand in the PC market as a result~~ of the COVID- 19 pandemic **, we experienced a significant reduction in the demand for our products due to the declining PC markets, which negatively impacted our revenue, profitability and gross margin. While we experienced a surge of demand in the PC market as a result of the COVID- 19 pandemic** and related events, ~~there is no assurance that~~ such ~~trend will continue or that~~ **demand began to return to normal level with** the **cessation of the COVID- 19 pandemic, and recently** ~~decline~~ **declined due to** ~~of PC market will not occur again, and~~ - **an** ~~if it does, we~~ **industry- wide inventory correction and the ensuing downturn in the semiconductor industry. We have implemented measures and strategies to mitigate the effect of such a downturn. These measures and strategies** may not be **sufficient or** ~~able to implement measures successfully~~ -- **successful** ~~to mitigate~~ **, in which case** ~~or~~ **our operating** ~~reduce the negative impact on our financial conditions and~~ results ~~of operations~~ **may be adversely affected** . Our strategy of diversification into different market segments may not succeed according to our expectations and may expose us to new risks and place significant strains on our management, operational, financial and other resources. As part of the growth strategy to diversify our product portfolio and in response to the decline of the PC markets, we have been developing new technologies and products designed to penetrate into other markets and applications, including merchant power supplies, flat panel TVs, smart phones, tablets, gaming consoles, lighting, datacom, telecommunications, home appliances and industrial motor controls. However, there is no guarantee that these diversification efforts will be successful. As a new entrant to some of these markets, we may face intense competition from existing and more established providers and encounter other unexpected difficulties, any of which may hinder or delay our efforts to achieve success. In addition, our new products may have long design and sales cycles. Therefore, if our diversification efforts fail to keep pace with the declining PC markets, we may not be able to alleviate its negative impact on our results of operations. Our diversification into different market segments may place a significant strain on our management, operational, financial and other resources. To manage this diversification effectively, we will need to take various actions, including: • enhancing management information systems, including forecasting procedures; • further developing our operating, administrative, financial and accounting systems and controls; • managing our working capital and sources of financing; • maintaining close coordination among our engineering, accounting, finance, marketing, sales and operations organizations; • retaining, training and managing our employee base; • enhancing human resource operations and improving employee hiring and training programs; • realigning our business structure to more effectively allocate and utilize our internal resources; • improving and sustaining our supply chain capability; and • managing both our direct and distribution sales channels in a cost-efficient and competitive manner. Our failure to execute any of the above actions successfully or timely may have an adverse effect on our business and financial results. Our periodic operating results may fluctuate as a result of a number of factors, many of which are beyond our control. These factors include, among others: • a deterioration in general demand for electronic products, particularly the PC market, as a result of global or regional financial crises and associated macro- economic slowdowns, and / or the cyclicality of the semiconductor industry; • a deterioration in business conditions at our distributors and / or end customers; • adverse general economic conditions in the countries where our products are sold or used; • the emergence and growth of markets for products we are currently developing; • our ability to successfully develop, introduce and sell new or enhanced products in a timely manner and the rate at which our new products replace declining orders for our older products; • the anticipation, announcement or introduction of new or enhanced products by us or our competitors; • changes in the selling prices of our products and in the relative mix in the unit shipments of our products, which have different average selling prices and profit margins; • the amount and timing of operating costs and capital expenditures, including expenses related to the maintenance and expansion of our business operations and infrastructure; • the announcement of significant acquisitions, disposition or partnership arrangements; • the ramp- up progress and operation of the JV Company, and announcement of significant transactions involving the JV Company; • changes in the utilization of our in- house manufacturing capacity; • supply and demand dynamics and the resulting price pressure on the products we sell; • the unpredictable volume and timing of orders, deferrals, cancellations and reductions for our products, which may depend on factors such as our end customers' sales outlook, purchasing patterns and inventory adjustments based on general economic conditions or other factors; • changes in laws and regulations affecting our business operations; • changes in costs associated with manufacturing of our products, including pricing of wafer, raw materials and assembly services; • announcement of significant share repurchase programs; • our concentration of sales in consumer applications and changes in consumer purchasing patterns and confidence; and • the adoption of new industry standards or changes in our regulatory environment. Any one or a combination of the above factors and other risk factors described in this section may cause our operating results to fluctuate from period to period, making it difficult to predict our future performance. Therefore, comparing our operating results on a period- to- period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Geopolitical conflicts and tensions between the United States and China have threatened and destabilized trading relationships and economic activities between the two countries. Because we have significant operations in both countries, such conflicts and tensions may negatively impact our business. At various times during recent years, the United States and China have had disagreements over political and economic issues, including but not limited to, the recent imposition of tariffs by the U. S. on goods imported from China and to the U. S. government' s efforts to restrict transfer and sharing of technologies, including semiconductor technologies, between the two countries. In addition, the U. S. government may enact new and more restrictive export control regulations that may reduce our ability to ship and sell products to certain customers in China and Asia and increase our cost to implement additional measures to comply with such new regulations. In addition, disagreements between the United States and China with respect to their political, military or economic policies toward Taiwan may contribute to further controversies. These controversies and trade frictions could have a material adverse effect on our business by, among other things, making it more difficult for us to coordinate our operations between the United States and China causing a reduction in the demand for our products by customers in the United States or China and reducing our profitability due to increasing cost of compliance. ~~The continuing political and~~

~~economic conflicts between U. S. and China have resulted in and may continue to cause retaliatory policies from both countries, including a 2020 executive order issued by the then U. S. President eliminating the preferential trade status of Hong Kong in response to China' s action to impose new security measures and regulation on Hong Kong. The order has made it more costly and difficult for U. S. companies to export goods or conduct businesses in Hong Kong. While we historically have not relied on the preferential trade status to operate in Hong Kong, there is no guarantee that additional policies, rules or regulations will not be implemented by either the U. S. or China that will negatively impact our ability to maintain our sales and other functions and operations in Hong Kong. We also cannot predict what new and additional retaliatory policies and regulations may be implemented by the Chinese government in response to U. S. actions, and such policies and regulations may adversely affect our business operations in China and other Asian countries, including our manufacturing and sales and marketing activities. Our lack of control over the JV Company may adversely affect our operations.~~ We formed the JV Company in 2016 which consists of a power semiconductor packaging, testing and 12- inch wafer fabrication facility in Chongqing. The JV Company is our subcontractor, and we rely and expect to continue to rely substantially on the JV Company to provide us with foundry capacity to develop and manufacture our products and to enhance our market position in China. ~~Since~~ **At** the formation of the JV Company, we ~~have~~ retained control over the business operation of the JV Company through our majority equity ownership and board representation. In December 2021, we relinquished control over the JV Company through a series of transactions, including the sale of a portion of our equity interests in the JV Company and issuance of additional equity interests by the JV Company to raise capital. As a result of these transactions, we currently own approximately 42. 2 % of outstanding equity interest in the JV Company and have the right to designate three (3) out of seven (7) directors, instead of four (4) directors prior to such transaction. The reduction of our equity ownership of the JV Company is part of a plan to enable the JV Company to raise capital more easily and to facilitate a future public listing on the Science and Technology Innovation Board, or STAR Market, of the Shanghai Stock Exchange (the " China IPO "). Such reduction also caused the deconsolidation of the JV Company' s financial statements from our Consolidated Financial Statements. Because we no longer have a controlling interest in the JV Company, the JV Company is operating and will continue to operate more independently, and our influence on all aspects of the JV Company' s business operations will be diminished. Accordingly, we might not be able to prevent the JV Company from taking actions adverse to our interests. For example, while we remain a major customer of the JV Company, the JV Company may decide to enter into business relationships with other customers and allocate foundry capacities to such customers, which may prevent us from securing a desirable or sufficient level of manufacturing capacity for our products. Even if the JV Company agrees to continue allocating sufficient manufacturing capacity to us, we may not be able to negotiate or obtain favorable pricing or service terms, which may increase our expenses and adversely affect our results of operations. Our lack of control over the JV Company may also make it more difficult for us to execute our broader business strategies in China, including our R & D, sales and marketing, product innovation efforts and protection of intellectual property rights, because the JV Company may decide not to cooperate with us in these matters. In addition, while we expect to achieve a financial return for our investment in the JV Company as a result of the China IPO, the China IPO process is complex, time- consuming and subject to a number of risks and there is no guarantee that the China IPO will be completed in a timely manner, or at all, and the JV Company' s failure to close the China IPO will negatively affect our investment in the JV Company. In order to fund its capital expenditures and cost of operation, the JV Company has incurred a significant amount of indebtedness from third- party lenders under several loan and lease financing agreements, some of which are secured by substantially all of the assets of the JV Company. If the JV Company is not able to generate sufficient cash flow to make payments under these loans, the JV Company may be in default, which will adversely affect its ability to continue operations and provide foundry services to us. In addition, the JV Company requires additional funding to continue its operations and to refinance its existing indebtedness. There is no guarantee that the JV Company will be able to obtain financing on favorable terms, or at all, and any such failure may negatively impact our ability to access its wafer manufacturing capacity. Any of the foregoing risks could materially reduce the expected return of our investment in the JV Transaction and adversely affect our business operations, our financial performance and the trading price of our shares. Demand for our products from our end customers fluctuates depending on their sales outlooks and market and economic conditions. Accordingly, our distributors place purchase orders with us based on their forecasts of end customer demand. Because these forecasts may not be accurate, channel inventory held at our distributors may fluctuate significantly due to the difference between the forecasts and actual demand. As a result, distributors adjust their purchase orders placed with us in response to changing channel inventory levels, as well as their assessment of the latest market demand trends. A significant decrease in our distributors' channel inventory in one period may lead to a significant rebuilding of channel inventory in subsequent periods, or vice versa, which may cause our quarterly revenue and operating results to fluctuate significantly. In addition, because our power semiconductors are used in consumer electronics products, our revenue is subject to seasonality. Our sales seasonality is affected by a number of factors, including global and regional economic conditions as well as the PC market conditions, revenue generated from new products, changes in distributor ordering patterns in response to channel inventory adjustments and end customer demand for our products and fluctuations in consumer purchase patterns prior to major holiday seasons. In recent year, broad fluctuations in the semiconductor markets and the global economic conditions, in particular the decline of the PC market conditions, have had a more significant impact on our results of operations, than seasonality, and have made it difficult to assess the impact of seasonal factors on our business. Our normal seasonality cycle has also been impacted by the **recent** COVID- 19 pandemic and related events, making it more difficult to predict and determine a more consistent seasonality trend. ~~See " Risk Factors- Our business operation and financial performance may be adversely affected by the COVID- 19 pandemic and related events. "~~ If we are unable to introduce or develop new and enhanced products that meet or are compatible with our customer' s product requirements in a timely manner, it may harm our business, financial position and operating results. Our success depends upon our ability to develop and introduce new and enhanced products that meet or are compatible with our customer' s specifications, performance standards and other product requirements in a timely manner. The development of new and enhanced products involves highly complex processes, and at times we have experienced delays in the introduction of new products. Successful product development and introduction of new products depends on a number of factors, including the accurate product specification; timely completion of design; achievement of manufacturing yields; timely response to changes in customer' s product requirements; quality and cost- effective production; and effective marketing. Since many of our products are designed for specific applications, we must frequently develop new and enhanced products jointly with our customers. In the past, we have encountered product compatibility issues with a major OEM that has negatively impacted our financial results, and although we have resolved fully such issues with the OEM, there is no guarantee that the same compatibility issues will not occur in the future with other OEMs. If we are unable to develop or acquire new products that meet or are compatible with our customer' s specification and other product requirements in a timely manner, we may lose revenue or market share with our customers, which could have a material adverse effect on our business, financial position and operating results. We invest significant resources to compete with other power semiconductor companies to win competitive bids for our products in selection processes, known as " design wins. " Our effort to obtain design wins may detract from or delay the completion of other important development projects, impair our relationships with existing end customers and negatively impact sales of products under development. In addition, we cannot be assured that these efforts would result in a design win, that our product would be incorporated into an end customer' s initial product design, or that any such design win would lead to production orders and generate sufficient revenue. Furthermore, even after we have qualified our products with a customer and made sales, subsequent changes to our products, manufacturing processes or suppliers may require a new qualification process, which may result in delay and excess inventory. If we cannot achieve sufficient design wins in the future, or if we fail to generate production orders following design wins, our ability to grow our business and improve our financial results will be harmed. The consumer end markets, in particular the PC market, in which our products are used are highly competitive. Our OEM end customers may not successfully sell their products for a variety of reasons, including: • general global and regional economic conditions; • late introduction or lack of market acceptance of their products; • lack of competitive pricing; • shortage of component supplies; • excess inventory in the sales channels into which our end customers sell their products; • changes in the supply chain; and • changes as a result of regulatory restrictions applicable to China- exported products. Our success depends on the ability of our OEM end customers to sell their products incorporating our products. In addition, we have expanded our business model to include more OEMs in our direct customer base. The failure of our OEM end customers to achieve or maintain commercial success for any reason could harm our business, results of operations, and financial condition and prospects. The operation of the Oregon Fab requires significant fixed manufacturing cost. In order to manage the capacity of the wafer fabrication facility efficiently, we must perform a forecast of long- term market demand and general economic conditions for our products. Because market conditions may vary significantly and unexpectedly, our forecast may change significantly at any time, and we may not be able to make timely adjustments to our fabrication capacity in response to these changes. During periods of continued decline in market demand, in particular the decline of the PC market, we may not be able to absorb the excess inventory and additional costs associated with operating the facility at higher capacity, which may adversely affect our operating results. Similarly, during periods of unexpected increase in customer demand, we may not be able to ramp up production quickly to meet these demands, which may lead to the loss of significant revenue opportunities. The manufacturing processes of a fabrication facility are complex and subject to interruptions. We may experience production difficulties, including lower manufacturing yields or products that do not meet our or our customers' specifications, and problems in ramping production and installing new equipment. These difficulties could result in delivery delays, quality problems and lost revenue opportunities. Any significant quality problems could also damage our reputation with our customers and distract us from the development of new and enhanced product which may have a significant negative impact on our financial results. ~~In addition, semiconductor manufacturing has historically required an upgrading of process technology from time to time to remain competitive, as new and enhanced semiconductor processes are developed which permit smaller, more efficient and more powerful semiconductor devices. Accordingly, we may have to incur substantial capital expenditures and install significant production capacity at our in- house fabrication facility to support new technologies and increased production volume, which may cause delay in our ability to deliver new products or negatively impact our results of operations. For example, we recently commenced a plan to enhance the manufacturing capability and capacity of our Oregon fab by investing in new equipment and expanding our factory facilities, which we expect will have a positive impact on our future new product development and revenue, particularly during the period of global shortage of capacity. The equipment installation contractors have experienced a shortage of skilled labor and certain materials. As a result, the expansion is expected to be now completed in the fiscal quarter ending March 31, 2023, although further delays are possible. While we expect such investment will enable us to accommodate increasing customer demand and generate additional revenue, there is no guarantee that we will be able to do so, and our investment may not produce the return that we expected, which may adversely affect our business and results of operations. In September 2017, we entered into a license agreement with STMicro, which allows us to develop and market certain digital power multi- phase controller products and enter into a new market, primarily in the computer server market. We are in the process of developing this new digital power business and expect to incur significant costs to develop this business, including costs relating to the hiring and compensation of qualified engineers and technical staff; development of marketing and sales infrastructure, particularly in the computer server market; and other research and development and management activities. We do not expect this new business to generate sufficient revenue to offset our costs in the short term, and there is no guarantee that our attempt to develop a profitable digital business will ultimately succeed. The success of our digital power business depends on a number of factors, including the following: • competition from other companies with greater resources and experiences and more established reputations in the digital power market; • the availability of and our ability to recruit and attract qualified personnel; • our lack of experience and reputation in the digital power market; • difficulties in designing products acceptable to customers; • legal and regulatory restrictions; and • inadequate sales and marketing capability. Any one of~~

~~these factors may negatively impact our ability to create a successful digital power business, which would adversely affect our financial condition and results of operations.~~ Defects and poor performance in our products could result in loss of customers, decreased revenue, unexpected expenses and loss of market share, and we may face warranty and product liability claims arising from defective products. Our products are complex and must meet stringent quality requirements. Products as complex as ours may contain undetected errors or defects, especially when first introduced or when new versions are released. Errors, defects or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing anomalies, which can affect both the quality and the yield of the product. It can also be potentially dangerous as defective power components, or improper use of our products by customers, may lead to power overloads, which could result in explosion or fire. Any actual or perceived errors, defects or poor performance in our products could result in the replacement or recall of our products, shipment delays, rejection of our products, damage to our reputation, lost revenue, diversion of our engineering personnel from our product development efforts in order to address or remedy any defects and increases in customer service and support costs, all of which could have a material adverse effect on our business and operations. Furthermore, as our products are typically sold at prices much lower than the cost of the equipment or other devices incorporating our products, any defective, inefficient or poorly performing products, or improper use by customers of power components, may give rise to warranty and product liability claims against us that exceed any revenue or profit we receive from the affected products. We could incur significant costs and liabilities if we are sued and if damages are awarded against us. There is no guarantee that our insurance policies will be available or adequate to protect against such claims. Costs or payments we may make in connection with warranty and product liability claims or product recalls may adversely affect our financial condition and results of operations. As is typical in the semiconductor industry,the average selling price of a particular product has historically declined significantly over the life of the product.In the past,we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures,new product introductions by us or our competitors and other factors.We expect that we will have to similarly reduce prices in the future for older generations of products.Reductions in our average selling prices to one customer could also impact our average selling prices to all customers.A decline in average selling prices would harm our gross margins for a particular product.If not offset by sales of other products with higher gross margins,our overall gross margins may be adversely affected.Our business,results of operations,financial condition and prospects will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes,reducing our costs and developing new or enhanced products on a timely basis,with higher selling prices or gross margins. We manufacture our products according to our estimates of customer demand. This process requires us to make numerous forecasts and assumptions relating to the demand of our end customers, channel inventory, and general market conditions. Because we sell most of our products to distributors, who in turn sell to our end customers, we have limited visibility as to end customer demand. Furthermore, we do not have long- term purchase commitments from our distributors or end customers, and our sales are generally made by purchase orders that may be cancelled, changed or deferred without notice to us or penalty. As a result, it is difficult to forecast future customer demand to plan our operations. The utilization of our manufacturing facilities and the provisions for inventory write- downs are important factors in our profitability. If we overestimate demand for our products, or if purchase orders are canceled or shipments delayed, we may have excess inventory, which may result in adjustments to our production plans. These adjustments to our productions may affect the utilization of our own wafer fabrication and packaging facilities. If we cannot sell certain portions of the excess inventory, it will affect our provisions for inventory write- downs. Our inventory write- down provisions are subject to adjustment based on events that may not be known at the time the provisions are made, and such adjustments could be material and impact our financial results negatively. If we underestimate demand, we may not have sufficient inventory to meet end-customer demand, and we may lose market share and damage relationships with our distributors and end customers and we may have to forego potential revenue opportunities. Obtaining additional supply in the face of product shortages may be costly or impossible, particularly in the short term, which could prevent us from fulfilling orders in a timely manner or at all. In addition, we plan our operating expenses, including research and development expenses, hiring needs and inventory investments, based in part on our estimates of customer demand and future revenue. If customer demand or revenue for a particular period is lower than we expect, we may not be able to proportionately reduce our fixed operating expenses for that period, which would harm our operating results. The power semiconductor industry is highly competitive and fragmented. If we do not compete successfully against current or potential competitors, our market share and revenue may decline. Our main competitors are primarily headquartered in the United States, Japan, Taiwan and Europe. Our major competitors for our power discretes include Infineon Technologies AG, ~~MagnaChip~~ **Magnachip** Semiconductor Corporation, ON Semiconductor Corp., STMicroelectronics N. V., Toshiba Corporation, Diodes Incorporated and Vishay Intertechnology, Inc. Our major competitors for our power ICs include Global Mixed- mode Technology Inc., Monolithic Power Systems, Inc., ON Semiconductor Corp., Richtek Technology Corp., Semtech Corporation, Texas Instruments Inc. and Vishay Intertechnology, Inc. We expect to face competition in the future from our competitors, other manufacturers, designers of semiconductors and start- up semiconductor design companies. Many of our competitors have competitive advantages over us, including: • significantly greater financial, technical, research and development, sales and marketing and other resources, enabling them to invest substantially more resources than us to respond to the adoption of new or emerging technologies or changes in customer requirements; • greater brand recognition and longer operating histories; • larger customer bases and longer, more established relationships with distributors or existing or potential end customers, which may provide them with greater reliability and information regarding future trends and requirements that may not be available to us; • the ability to provide greater incentives to end customers through rebates, and marketing development funds or similar programs; • more product lines, enabling them to bundle their products to offer a broader product portfolio or to integrate power management functionality into other products that we do not sell; • greater ability and more resources to influence and participate in the regulatory and legislative process for more favorable laws and regulations; and • captive manufacturing facilities, providing them with guaranteed access to manufacturing facilities in times of global semiconductor shortages. In addition, the semiconductor industry has experienced increased consolidation over the past several years that may adversely affect our competitive position. Consolidation among our competitors could lead to a less favorable competitive landscape, capabilities and market share, which could harm our business and results of operations. If we are unable to compete effectively for any of the foregoing or other reasons, our business, results of operations, and financial condition and prospects will be harmed. Our reliance on third- party semiconductor foundries to manufacture our products subject us to risks. The allocation of our wafer production between in- house facility and third- party foundries may fluctuate from time to time. We expect to continue to rely in part on third party foundries to meet our wafer requirements. Although we use several independent foundries, our primary third- party foundry is HHGrace, which manufactured **9. 6 %,** 10. 3 % ~~,~~ **and** 11. 5 ~~% and 12. 7~~ % of the wafers used in our products for the fiscal years ended June 30, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively. If any third- party foundry does not provide competitive pricing or is not able to meet our required capacity for any reason, we may not be able to obtain the required capacity to manufacture our products timely or efficiently. From time to time, third party suppliers may extend lead- times, limit supplies or increase prices due to capacity constraints or other factors, and we may experience a shortage of capacity on an industry- wide basis that may last for an extended period of time. There are no assurances that we will be able to maintain sufficient capacity to meet the full demand from our customers, and failure to do so will adversely affect our results of operations. If we cannot maintain sufficient capacity or control pricing with our existing third- party foundries, we may need to increase our own manufacturing capacity, and there is no assurance that we can ramp up the production of the Oregon Fab timely to meet the increased demand. If not, we may need to seek alternative foundries, which may not be available on commercially reasonable terms, or at all. In addition, the process for qualifying a new foundry is time consuming, difficult and may not be successful, particularly if we cannot integrate our proprietary process technology with the process used by the new foundry. Using a foundry with which we have no established relationship could expose us to potentially unfavorable pricing, unsatisfactory quality or insufficient capacity allocation. **We also** ~~In addition, even though we have been transferring more new product developments to our Oregon Fab and we expect to increase gradually the utilization of capacity at our JV Company as it ramps up production, we still~~ rely on third- party foundries to effectively implement certain of our proprietary technology and processes and also require their cooperation in developing new fabrication processes. Any failure to do so may impair our ability to introduce new products and on time delivery of wafers for our existing products. In order to maintain our profit margins and to meet our customer demand, we need to achieve acceptable production yields and timely delivery of silicon wafers. As is common in the semiconductor industry, we have experienced, and may experience from time to time, difficulties in achieving acceptable production yields and timely delivery from third- party foundry vendors. Minute impurities in a silicon wafer can cause a substantial number of wafers to be rejected or cause numerous die on a wafer to be defective. Low yields often occur during the production of new products, the migration of processes to smaller geometries or the installation and start up of new process technologies. We face a number of other significant risks associated with outsourcing fabrication, including: • limited control over delivery schedules, quality assurance and control and production costs; • discretion of foundries to reduce deliveries to us on short notice, allocate capacity to other customers that may be larger or have long- term customer or preferential arrangements with foundries that we use; • unavailability of, or potential delays in obtaining access to, key process technologies; • limited warranties on wafers or products supplied to us; • damage to equipment and facilities, power outages, equipment or materials shortages that could limit manufacturing yields and capacity at the foundries; • potential unauthorized disclosure or misappropriation of intellectual property, including use of our technology by the foundries to make products for our competitors; • financial difficulties and insolvency of foundries; and • acquisition of foundries by third parties. Any of the foregoing risks could delay shipment of our products, result in higher expenses and reduced revenue, damage our relationships with customers and otherwise adversely affect our business and operating results. We sell a substantial portion of our products to distributors, who in turn sell to our end customers. Our distributors typically offer power semiconductor products from several different companies, including our direct competitors. The distributors assume collection risk and provide logistical services to end customers, including stocking our products. Two distributors, WPG and Promate, collectively accounted for **57. 2 %,** 64. 3 % ~~,~~ **and** 64. 1 ~~% and 64. 8~~ % of our revenue for the fiscal years ended June 30, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively. ~~Our~~ **We currently have effective** agreements with Promate and ~~WPG were~~ **WPO to serve as our distributors, and such agreement is** renewed ~~in July 2017 and are~~ automatically ~~renewed~~ for ~~each~~ one- year period continuously unless terminated earlier pursuant to the ~~provisions in the~~ **terms of such** agreements. We believe that our success will continue to depend upon these distributors. Our reliance on distributors subjects us to a number of risks, including: • write- downs in inventories associated with stock rotation rights and increases in provisions for price adjustments granted to certain distributors; • potential reduction or discontinuation of sales of our products by distributors; • failure to devote resources necessary to sell our products at the prices, in the volumes and within the time frames that we expect; • focusing their sales efforts on products of our competitors; • dependence upon the continued viability and financial resources of these distributors, some of which are small organizations with limited working capital and all of which depend on general economic conditions and conditions within the semiconductor industry; • dependence on the timeliness and accuracy of shipment forecasts and resale reports from our distributors; • management of relationships with distributors, which can deteriorate as a result of conflicts with efforts to sell directly to our end customers; and • our agreements with distributors which are generally terminable by either party on short notice. If any significant distributor becomes unable or unwilling to promote and sell our products, or if we are not able to renew our contracts with the distributors on acceptable terms, we may not be able to find a replacement distributor on reasonable terms or at all and our business could be harmed. **We have made and may continue to make strategic acquisitions of other companies, assets or businesses or form joint ventures with partners to advance our business objectives. These acquisitions and joint ventures involve significant risks and uncertainties.** In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, strategic acquisitions, mergers, partnership **, joint ventures** and alliances that involve significant risks and uncertainties. Successful acquisitions and alliances in the semiconductor industry are difficult to accomplish because they require, among other ~~things~~ **factors** , efficient integration and aligning of product offerings and manufacturing operations and coordination of sales and marketing and research and development efforts **. We may also seek to establish partnerships, joint ventures and acquisition of assets in various foreign jurisdictions where we may not have significant operating experience. In addition, we may encounter unanticipated challenges and difficulties, including regulatory and compliance issues, lack of local support and geopolitical tensions** . The difficulties of integration and alignment may be increased by the necessity of coordinating geographically separated organizations, the complexity of the technologies being integrated and aligned and the necessity of integrating personnel with ~~disparate~~ **dissimilar** business backgrounds ~~and combining different corporate cultures~~ . Furthermore, there is no guarantee that we will be able to identify ~~a~~ viable ~~target~~ **targets** for strategic acquisition ~~, and~~ **. Also** we may incur significant costs ~~and resources~~ in ~~such effort~~ **efforts** that may not result in a successful ~~acquisition~~ **acquisitions** . In addition, we may also issue equity securities to pay for future acquisitions or alliances, which could be dilutive to existing shareholders. We may also incur debt or assume contingent liabilities in connection with acquisitions and alliances, which could impose restrictions on our business operations and harm our operating results. Our fabrication and packaging processes depend on raw materials such as silicon wafers, gold, copper, molding compound, petroleum and plastic materials and various chemicals and gases. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. If the prices of these raw materials rise significantly, we may be unable to pass on the increased cost to our customers. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of raw materials in a timely manner or at reasonable price. In addition, from time to time, we may need to reject raw materials because they do not meet our specifications or the sourcing of such materials do not comply with our conflict mineral policies, resulting in potential delays or declines in output. Furthermore, problems with our raw materials may give rise to compatibility or performance issues in our products, which could lead to an increase in customer returns or product warranty claims. Errors or defects may arise from raw materials supplied by third parties that are beyond our detection or control, which could lead to additional customer returns or product warranty claims that may adversely affect our business and results of operations. We sell a majority of our products to distributors under arrangements allowing price adjustments and returns under stock rotation programs, subject to certain limitations. As a result, we are required to estimate allowances for price adjustments and stock rotation for our products as inventory at distributors at each reporting period end. Our ability to reliably estimate these allowances enables us to recognize revenue upon delivery of goods to distributors instead of upon resale of goods by distributors to end customers. We estimate the allowance for price adjustment based on factors such as distributor inventory levels, pre- approved future distributor selling prices, distributor margins and demand for our products. Our estimated allowances for price adjustments, which we offset against accounts receivable from distributors, were $ **40. 0 million and $** 18. 7 ~~million and $ 12. 4~~ million at June 30, **2023 and** 2022 ~~and 2021~~ , respectively. Our accruals for stock rotation are estimated based on historical returns and individual distributor agreement, and stock rotation rights, which are recorded as accrued liabilities on our consolidated balance sheets, are contractually capped based on the terms of each individual distributor agreement. Our estimated liabilities for stock rotation at June 30, **2023 and** 2022 ~~and 2021~~ were $ **5. 6 million and $** 4. 8 ~~million and $ 3. 9~~ million, respectively. Our estimates for these allowances and accruals may be inaccurate. If we subsequently determine that any allowance and accrual based on our estimates is insufficient, we may be required to increase the size of our allowances and accrual in future periods, which would adversely affect our results of operations and financial condition **.We have two wholly- owned packaging and testing facilities located in Shanghai,China that handle most of our packaging and testing requirements.The** operation of high- volume packaging and testing facilities and implementation of our advanced packaging technology are complex and demand a high degree of precision and may require modification to improve yields and product performance.We have committed substantial resources to ensure that our packaging and testing facilities operate efficiently and successfully,including the acquisition of equipment and raw materials,and training and management of a large number of technical personnel and employees.Due to the fixed costs associated with operating our own packaging and testing facilities,if we are unable to utilize our in- house facilities at a desirable level of production,our gross margin and results of operations may be adversely affected.For example,a significant decline in our market share or sales orders may negatively impact our factory utilization and reduce our ability to achieve profitability ~~.In April 2022,the operations of our packaging and testing facilities in Shanghai,China were suspended due to a strict lockdown of the city imposed by the local government in response to surging COVID cases.The facilities were required to be shut down and production was halted since early April.Transportation suspension in and out of Shanghai also interrupted the shipping of raw materials and finished parts to and from our facilities.We received permission to reopen our facilities partially in early May.We gradually ramped up production at these facilities in May and returned to normal operation in June 2022.The suspension of our Shanghai facilities,and factors limiting the resumption of production,reduced our ability to complete orders from our customers in a timely manner,which adversely affected our revenue and results of operation for the three months ended June 30,2022.There is no guarantee that additional restrictions and lockdown will not be reimposed by the government,which is outside of our control,and any extension of the lockdown will continue to have a negative impact on our results of operation and financial condition.Furthermore,while we intend to secure alternative sources of packaging capacity from third- party providers,there is no guarantee that such sources are available,and even if available,it will be difficult to complete the transition efficiently and timely,and such alternative source of capacity is not expected to be sufficient to substitute or replace fully our in- house capacity.The suspension of our Shanghai facilities had a negative impact on our production and adversely affected our revenue and results of operation for the fiscal year ended June 30,2022.We can not guarantee that the Shanghai government will not impose similar restrictions and lockdown in the future,and any such restrictions and lockdown will adversely affect our operations and financial performance~~ .In addition,the operation of our packaging and testing facilities is subject to a number of risks,including the following:• unavailability of equipment,whether new or previously owned,at acceptable terms and prices;• facility equipment failure,power outages or other disruptions;• shortage of raw materials,including packaging substrates,copper,gold and molding compound;• failure to maintain quality assurance and remedy defects and impurities;• changes in the packaging requirements of customers;• our limited experience in operating a high- volume packaging and testing facility;and • operation stoppage due to the city- wide ~~COVID- 19~~ lockdown **in response to public health emergencies or pandemics** .Any of the foregoing risks could adversely affect our capacity to package and test our products,which could delay shipment of our products,result in higher expenses,reduce revenue,damage our relationships with customers and otherwise adversely affect our business,results of operations,financial condition and prospects.Our business operations and financial conditions may be adversely affected by any disruption in our information technology systems,including any cyberattacks and breaches.Our operations are dependent upon our information technology systems,which encompass all of our major business functions across offices internationally.We rely upon such information technology systems to manage and replenish inventory,complete and track customer orders,coordinate sales activities across all of our products and services,maintain vital data and information,perform financial and accounting tasks and manage and perform various administrative and human resources functions.A substantial disruption in our information technology systems for any extended time period (arising from,for example,system capacity limits from unexpected increases in our volume of business,outages or delays in our service) could result in delays in receiving inventory and supplies or filling customer orders and adversely affect our customer service and relationships.Our systems might be damaged or interrupted by natural or man − made events or by computer viruses,physical or electronic break − ins,cyber- attacks and similar disruptions affecting the global Internet.In addition,recent widespread ransomware attacks and cybersecurity breaches in the U.S.and elsewhere have affected many companies,including the cybersecurity incident involving SolarWinds Orion in December 2020.In the past,we also experienced ransomware attacks on our information technology system.In April,2022,we became aware of a cybersecurity incident involving unauthorized access to one of the Company' s email ~~account~~ **accounts** ,resulting in unauthorized payments.We recorded a loss of $ 1.5 million due to the incident for the three months ended March 31, **2022.Immediately following the discovery,we commenced an investigation,contained the incident and implemented additional protective measures and internal control policies and procedures.We also alerted law enforcement authorities and banking institutions in an effort to recover the lost amount.This incident appears to be isolated and its financial impact identified was not material.The Company believes that it has not incurred other damages and losses based on the conclusion of the full investigation.While these attacks did not have a material adverse effect on our business operation or results of operations,they caused temporary disruptions and interfered with our operations.Any cybersecurity breach and financial loss may also have a negative impact on our internal control over financial reporting.While we have implemented additional measures to enhance our security protocol to protect our system and intend to do so in response to any threats,there is no guarantee that future attacks would be thwarted or prevented.We also expect to incur additional costs and expenses to upgrade our information technology system and establish additional protective measures to prevent future breaches.Furthermore,despite our efforts to investigate,improve and remediate the capability and performance of our information technology system,we may not be able to discover all weaknesses,breaches and vulnerabilities,and failure to do so may expose us to higher risk of data loss and adversely affect our business operations and results of operations.We depend on the continuing services of our senior management team and other key personnel,and if we lose a member of our senior management or are unable to successfully retain,recruit and train key personnel,our ability to develop and market our products could be harmed** . Our success depends upon the continuing services of members of our senior management team and various engineering and other technical personnel. In particular, our engineers and other sales and technical personnel are critical to our future technological and product innovations. Our industry is characterized by high demand and intense competition for talent and the pool of qualified candidates is limited. We have entered into employment agreements with certain senior executives, but we do not have employment agreements with most of our employees. Many of these employees could leave our company with little or no prior notice and would be free to work for a competitor. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and other senior management may be required to divert attention from other aspects of our business. In addition, we do not have “ key person ” life insurance policies covering any member of our management team or other key personnel. The loss of any of these individuals or our inability to attract or retain qualified personnel, including engineers and others, could adversely affect our product introductions, overall business growth prospects, results of operations and financial condition. Our success depends, in part, on our ability to protect our intellectual property. We rely on a combination of patent, copyright (including mask work protection), trademark and trade secret laws, as well as nondisclosure agreements, license agreements and other methods to protect our intellectual property rights, which may not be sufficient to protect our intellectual property. As of June 30, ~~2022~~ **2023** , we owned ~~888~~ **918** issued U. S. patents expiring between ~~2022~~ **2023** and 2041 and had ~~62~~ **45** pending patent applications with the United States Patent and Trademark Office. In addition, we own patents and have filed patent applications in several jurisdictions outside of the U. S, including China, Taiwan, Japan and Korea. Our patents and patent applications may not provide meaningful protection from our competitors, and there is no guarantee that patents will be issued from our patent applications. The status of any patent or patent application involves complex legal and factual determinations and the breadth of a claim is uncertain. In addition, our efforts to protect our intellectual property may not succeed due to difficulties and risks associated with: • policing any unauthorized use of or misappropriation of our intellectual property, which is often difficult and costly and could enable third parties to benefit from our technologies without paying us; • others independently developing similar proprietary information and techniques, gaining authorized or unauthorized access to our intellectual property rights, disclosing such technology or designing around our patents; • the possibility that any patent or registered trademark owned by us may not be enforceable or may be invalidated, circumvented or otherwise challenged in one or more countries may limit our competitive advantages; • uncertainty as to whether patents will be issued from any of our pending or future patent applications with the scope of the claims sought by us, if at all; and • intellectual property laws and confidentiality laws may not adequately protect our intellectual property rights, including, for example, in China where enforcement of China intellectual property-related laws have historically been less effective, primarily because of difficulties in enforcement and low damage awards. We also rely on customary contractual protection with our customers, suppliers, distributors, employees and consultants, and we implement security measures to protect our trade secrets. We cannot assure you that these contractual protections and security measures will not be breached, that we will have adequate remedies for any such breach or that our suppliers, employees, distributors or consultants will not assert rights to intellectual property arising out of such contracts. In addition, we have a number of third- party patent and intellectual property license agreements, one of which requires us to make ongoing royalty payments. In the future, we may need to obtain additional licenses, renew existing license agreements or otherwise replace existing technology. We are unable to predict whether these license agreements can be obtained or renewed or the technology can be replaced on acceptable terms, or at all. As is typical in the semiconductor industry, we or our customers may receive claims of infringement from time to time or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties that may cover some of our technology, products and services or those of our end customers. The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights which has resulted in protracted and expensive arbitration and litigation for many companies. Patent litigation has increased in recent years due to increased assertions made by intellectual property licensing entities or non- practicing entities and increasing competition and overlap of product functionality in our markets. Any litigation or arbitration regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. We have in the past and may from time to time in the future become involved in litigation that requires our management to commit significant resources and time. In addition, as part of our strategy to diversify our serviceable markets, we launched several key product families and technologies to enable high efficiency power conversion solutions and we plan to develop and commercialize new products in other power semiconductor markets. Our entry into the commercial markets for high- voltage power semiconductors and other markets as a result of our diversification strategy may subject us to additional and increased risk of disputes or litigation relating to these products. Because of the complexity of the technology involved and the uncertainty of litigation generally, any intellectual property arbitration or litigation involves significant risks. Any claim of intellectual property infringement against us may require us to: • incur substantial legal and personnel expenses to defend the claims or to negotiate for a settlement of claims; • pay substantial damages or settlement to the party claiming infringement; • refrain from further development or sale of our products; • attempt to develop non- infringing technology, which may be expensive and time consuming, if possible at all; • enter into costly royalty or license agreements that might not be available on commercially reasonable terms or at all; • cross- license our technology with a competitor to resolve an infringement claim, which could weaken our ability to compete with that competitor; and • indemnify our distributors, end customers, licensees and others from the costs of and damages of infringement claims by our distributors, end customers, licensees and others, which could result in substantial expenses for us and damage our business relationships with them. Any intellectual property claim or litigation against us harm our business, results of operations, financial condition and prospects. The current government investigation and evolving export control regulations may adversely affect our financial performance and business operations. The U. S. Department of Justice commenced an investigation into the Company' s compliance with export control regulations relating to its business transactions with Huawei and its affiliates (" Huawei "), which were added to the " Entity List " by the Department of Commerce (" DOC ") in May 2019. **The Company is cooperating fully with federal authorities in the investigation. The Company has continued to respond to inquiries and requests from DOJ for documents and information relating to the investigation, and the matter is currently pending at DOJ, and DOJ has not provided the Company with any specific timeline or indication as to when the investigation will be concluded or resolved.** In connection with this investigation, DOC **previously** requested the Company to suspend shipments of its products to Huawei **. The** ~~, and the~~ Company complied with such request ~~. The~~ **, and the** Company has not shipped any product to Huawei ~~since~~ **after** December 31, 2019. The Company ~~is currently working~~ **continues to work** with DOC to resolve this issue **. As part of this process** and ~~requested~~ **in response to** DOC **' s request, the Company provided certain documents and materials relating** to ~~grant permission to reinstate~~ **the Company' s supply chain and** ~~shipments -~~ **shipment process** to ~~Huawei~~ **DOC, and DOC is currently reviewing this matter** . ~~To date~~ DOC has not ~~provided us with~~ **informed the Company of** any **specific** timeline or schedule under which DOC will **complete** ~~respond to our request. There is~~ **its review** ~~no guarantee that DOC will agree to permit us to resume shipment to Huawei on a timely basis, or at all. The DOC' s decision may be influenced by factors beyond our control, such as shifting political dynamics and the macro- economic relationship between the U. S. and China and changes in export control regulations. Our inability to continue such shipment may negatively impact our revenue and financial performance, particularly if we are not able to acquire new customers to offset the loss of shipments to Huawei~~ . The ongoing government investigations into our export control compliance also subject us to a number of financial and business risks. We expect to incur significant costs and expenses, including legal fees, in connection with our effort to respond to the government investigation, as well as additional legal fees for defending securities class actions resulting from public disclosure of the government investigation. Such additional costs will adversely affect our profitability. While the Company has purchased a D & O insurance policy which may reimburse a portion of such fees and expenses, there is no guarantee that such policy will be sufficient to reduce our costs or that reimbursement can be obtained on a timely basis or at all. Furthermore, the management has diverted its resources and time in response to the investigation, and might not be able to fully engage with the core operation and objectives of our business activities. Finally, while we are fully cooperating with the government in the investigation, we are not able to predict its timing and outcome. In the event that the government decides to bring enforcement action against us, it will result in a material adverse effect on our business operations, our financial conditions and our reputation. We also expect that the U. S. export control regulations to evolve and change in response to the political and economic tension between the U. S. and China, including potential new export control regulations that may impose additional restrictions on our ability to continue to do business with certain customers in China and Asia. If such changes occur, we may be required to reduce shipments to certain Asian customers, adjust our business practices and incur additional costs to implement new export control compliance procedures, policies and programs, each of which will adversely affect our financial conditions and results of operations. External factors such as potential terrorist attacks, acts of war, financial crises, such as the global or regional economic recession, or geopolitical and social turmoil in those parts of the world that serve as markets for our products could have significant adverse effect on our business and operating results in ways that cannot presently be predicted. Any future economic downturn or recession in the global economy in general and, in particular, on the economies in China, Taiwan and other countries where we market and sell our products, will have an adverse effect on our results of operations. We have research and development facilities located in Taiwan and the Silicon Valley in Northern California. Historically, these regions have been vulnerable to natural disasters and other risks, such as earthquakes, fires and floods, which may disrupt the local economy and pose physical risks to our property. We also have sales offices located in Taiwan and Japan where similar natural disasters and other risks may disrupt the local economy and pose physical risks to our operations. We are not currently covered by insurance against business disruption caused by earthquakes. In addition, we currently do not have redundant, multiple site capacity in the event of a natural disaster or other catastrophic event. In the event of such an occurrence, our business would suffer. Our business could be adversely affected by natural disasters such as epidemics, outbreaks or other health crisis. An outbreak of avian flu or H1N1 flu in the human population, or another similar health crisis ~~, such as the recent COVID- 19 pandemic,~~ could adversely affect the economies and financial markets of many countries, particularly in Asia. Moreover, any related disruptions to transportation or the free movement of persons could hamper our operations and force us to close our offices temporarily. The occurrence of any of the foregoing or other natural or man- made disasters could cause damage or disruption to us, our employees, operations, distribution channels, markets and customers, which could result in significant delays in deliveries or substantial shortages of our products and adversely affect our business results of operations, financial condition or prospects. We have limited product liability, business disruption or other business insurance coverage for our operations. In addition, we do not have any business insurance coverage for our operations to cover losses that may be caused by litigation or natural disasters. Any occurrence of uncovered loss could harm our business, results of operations, financial condition and prospects. We have adopted a global business model under which we maintain significant operations and facilities through our subsidiaries located in the U. S., China, Taiwan and Hong Kong. Our main research and development center is located in Silicon Valley, and our manufacturing and supply chain is located in China. We also have sales offices and customers throughout Asia, the U. S. and elsewhere in the world. Our international operations may subject us to the following risks: • economic and political instability, including trade tension between the U. S. and China; • costs and delays associated with transportations and communications; • coordination of operations through multiple jurisdictions and time zones; • fluctuations in foreign currency exchange rates; • trade restrictions, changes in laws and regulations relating to, amongst other things, import and export tariffs, taxation, environmental regulations, land use rights and property; and • the laws of, including tax laws, and the policies of the U. S. toward, countries in which we operate. ~~Our management may conclude that~~ **We are required to maintain proper internal control over** our **financial reporting and adequate controls related to our disclosures. As defined in Rule 13a- 15 (f) under the Exchange Act,** internal control over financial reporting is ~~not effective. Moreover~~ **a process designed by** , ~~even if our~~ - **or under the supervision of the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. If we fail to maintain adequate controls, our business, the results of operations, financial condition and / or the value of our stock may be adversely impacted. In connection with** management ~~concludes that~~ **' s evaluation of the effectiveness of** our internal control over financial reporting ~~is effective~~ , **management identified a material weakness in** ~~our independent registered public accounting firm may decline to issue an opinion as to the effectiveness of~~ our internal control over financial reporting **due to the fact** ~~, or may issue a report~~ that **(i) we did not design** ~~is qualified or adverse. Our failure to achieve~~ and maintain effective **information technology general controls in the areas of user access, and segregation of duties for one of the information technology systems that supports the Company' s financial reporting over inventory (work in process and finished goods) in costing and (ii) we did not identify and test control to ensure reliability of costing of inventory (work in process and finished goods). We are in the process of remediating the material weakness identified above, including the implementation of additional policies and procedures to address the issues in our information technology control systems. For a more detailed description of the material weakness and our remediation plan, please see Item 9A of this Form 10- K. If our remediation efforts are insufficient or if additional material weakness in** internal control over financial reporting **are discovered or occur in the future, our consolidated financial statements may contain material misstatements and it** could **be required to revise or restate its financial** ~~result~~ **results** ~~in the loss~~ **, which could materially and adversely affect our business, results** of **operations and financial condition, restrict its ability to access the capital markets, require it to expend significant resources to correct the material weakness, subject it to fines, penalties or judgments, harm its reputation or otherwise cause a decline in** investor confidence ~~in the reliability of our financial statements or prevent fraud, which in turn could harm our business and negatively impact the trading price of our shares~~ . We conduct our business in multiple jurisdictions, including Hong Kong, Macau, the U. S., China, Taiwan, South Korea, Japan and Germany. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. Any of these jurisdictions may assert that we have unpaid taxes. Our effective tax rate was **30. 1 %,** 7. 9 % ~~,~~ **and** 6. 5 ~~% and (1. 9)~~ % for the fiscal years ended June 30, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. Any tax rate changes in the tax jurisdictions in which we operate could result in adjustments to our deferred tax assets, if applicable, which would affect our effective tax rate and results of operations. 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 a retroactive effect. In particular, various proposals over the years have been made to change certain U. S. tax laws relating to foreign entities with U. S. connections. In addition, the U. S. government has proposed various other changes to the U. S. international tax system, certain of which could adversely impact foreign- based multinational corporate groups, and increased enforcement of U. S. international tax laws. In August 2022 the U. S. enacted the Chip and Science Act of 2022 (the Chips Act). The Chips Act provides incentives to semiconductor chip manufacturers in the United States, including providing a 25 % manufacturing investment credits for investments in semiconductor manufacturing property placed in service after December 31, 2022, for which construction begins before January 1, 2027. Property investments qualify for the 25 % credit if, among other requirements, the property is integral to the operation of an advanced manufacturing facility, defined as having a primary purpose of manufacturing semiconductors or semiconductor manufacturing equipment. Currently, we are evaluating the impact of the Chips Act to us. It is possible that these or other changes in the U. S. tax laws, foreign tax laws, or proposed actions by international bodies such as the Organization of Economic Cooperation and Development (OECD) could significantly increase our U. S. or foreign income tax liability in the future, including as described further below in this risk factor. In December 2017, the European Union (" EU ") identified certain jurisdictions (including Bermuda and Cayman Islands) which it considered had a tax system that facilitated offshore structuring by attracting profits without commensurate economic activity. In order to avoid EU " blacklisting ", both Bermuda and Cayman Islands introduced new legislation in December 2018, which came into force on January 1, 2019. These new laws require Bermuda and Cayman companies carrying on one or more " relevant activity " (including: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property or holding company) to maintain a substantial economic presence in Bermuda and Cayman Islands in order to comply with the economic substance requirements. Effective from December 31, 2019, we have structured our activities to comply with the new law. However, there is no experience yet as to how the Bermuda and Cayman Islands authorities will interpret and enforce these new rules. The legislation remains subject to further clarification and, accordingly, there is no guarantee that we will be deemed to be compliant. Furthermore, this legislation may require us to make additional changes to the activities we carry on in Bermuda or Cayman Islands, which could increase our costs either directly in those locations or indirectly as a result of increased costs related to moving our operations to other jurisdictions. As a result, we are not able to determine the impact on our operations and net income as of the current period. In addition, our subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, us and other subsidiaries in different jurisdictions. We have adopted transfer pricing arrangements for transactions among our subsidiaries. Related party transactions are generally subject to close review by tax authorities, including requirements that transactions be priced at arm' s length and be adequately documented. If any tax authorities were successful in challenging our transfer pricing policies or other tax judgments, our income tax expense may be adversely affected and we could also be subject to interest and penalty charges which may harm our business, financial condition and operating results. Further, the U. S. Congress, the EU, the OECD, and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is the OECD' s initiative in the area of " base erosion and profit shifting, " or " BEPS ". Many countries have implemented or begun to implement legislation and other guidance to align their international tax rules with the OECD' s BEPS recommendations. In addition, the OECD has been working on an extension of the BEPS project, being referred to as " BEPS 2. 0 ", which focuses on two " pillars " of reform. Pillar 1 is focused on global profit allocation and changing where large multinational corporations pay taxes, and pillar 2 includes a global minimum tax rate. The OECD published detailed blueprints of its proposals for pillar 1 and pillar 2 on October 14, 2020. In June 2021, Finance Ministers from the Group of Seven (G7) nations reached an accord on the principles of pillar 2, backing the creation of a global minimum corporate tax rate of at least 15 %. Following the G7 announcement, the OECD / G20 Inclusive Framework announced on July 1, 2021 broad agreement on the two pillars, and released a proposal, which has been endorsed by over 130 jurisdictions, for a global minimum tax rate of at least 15 % for large multinational corporations on a jurisdiction- by- jurisdiction basis. The OECD / G20 Inclusive Framework will work towards an agreement and the release of an implementation plan, which will contemplate bringing pillar 2 into law in 2022 with an effective date in 2023. As a result of the focus on the taxation of multinational corporations, the tax laws in the countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us. We have entered into various debt agreements with certain financial institutions, which generally require us to maintain certain financial covenants that have the effect of limiting our ability to take certain actions, including actions to incur debt, repurchase stock, make certain investments and capital expenditures. As we continue to grow our business and expand our operations, we expect to incur additional indebtedness, including loan agreement or equipment leases, in order to fund such capital expenditures. These restrictions may limit our ability to pursue business and financial opportunities that are available or beneficial to us in response to changing and competitive economic environment, which may have an adverse effect on our financial conditions. In addition, a breach of any of these financial covenants, if not waived by the lenders, could trigger an event of default under the debt agreements, which may result in the acceleration of our indebtedness or the loss of our collateral used to secure such indebtedness. We believe that our Bermuda parent and non- U. S. subsidiaries each operate in a manner that they would not be subject to U. S. corporate income tax because they are not engaged in a trade or business in the United States. Nevertheless, there is a risk that the U. S. Internal Revenue Service may assert that our Bermuda parent and non- U. S. subsidiaries are engaged in a trade or business in the United States. If our Bermuda parent and non- U. S. subsidiaries were characterized as being so engaged, we would be subject to U. S. tax at the regular corporate rates on our income that is effectively connected with U. S. trade or business, plus an additional 30 % " branch profits " tax on the dividend equivalent amount, which is generally effectively connected income with certain adjustments, deemed withdrawn from the United States. Any such tax could materially and adversely affect our results of operations. Based on the current and anticipated valuation of our assets and the composition of our income and assets, we do not expect to be considered a PFIC, for U. S. federal income tax purposes for the foreseeable future. However, we must make a separate determination for each taxable year as to whether we are a PFIC after the close of each taxable year and we cannot assure you that we will not be a PFIC for our **June 30,** ~~2022~~ **2023** taxable year or any future taxable year. Under current law, a non- U. S. corporation will be considered a PFIC for any taxable year if either (1) at least 75 % of its gross income is passive income or (2) at least 50 % of the value of its assets, generally based on an average of the quarterly values of the assets during a taxable year, is attributable to assets that produce or are held for the production of passive income. PFIC status depends on the composition of our assets and income and the value of our assets, including, among others, a pro rata portion of the income and assets of each subsidiary in which we own, directly or indirectly, at least 25 % by value of the subsidiary' s equity interests, from time to time. Because we currently hold and expect to continue to hold a substantial amount of cash or cash equivalents, and because the calculation of the value of our assets may be based in part on the value of our common shares, which may fluctuate considerably given that market prices of technology companies historically often have been volatile, we may be a PFIC for any taxable year. If we were treated as a PFIC for any taxable year during which a U. S. holder held common shares, certain adverse U. S. federal income tax consequences could apply for such U. S. holder. As is typical in the semiconductor industry...... upturn or reduce our profit margins. China' s economic, political and social conditions, as well as government policies, could affect our business and growth. Our financial results have been, and are expected to continue to be, affected by the economy in China. If China' s economy is slowing down, it may negatively affect our business operation and financial results. The China economy differs from the economies of most developed countries in many respects, including: • higher level of government involvement; • early stage of development of a market- oriented economy; • rapid growth rate; • higher level of control over foreign currency exchange; and • less efficient allocation of resources. The Chinese economy has been transitioning from a planned economy to a more market- oriented economy. Although in recent years the China government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of corporate governance in business enterprises, the China government continues to retain significant control over the business and productive assets in China. Any changes in China' s government policy or China' s political, economic and social conditions, or in relevant laws and regulations, may adversely affect our current or future business, results of operations or financial condition. These changes in government policy may be implemented through various means, including changes in laws and regulations, implementation of anti- inflationary measures, change of basic interest rate, changes in the tax rate or taxation system and the imposition of additional restrictions on currency conversion and imports. Furthermore, given China' s largely export- driven economy, any changes in the economies of China' s principal trading partners and other export- oriented nations may adversely affect our business, results of operations, financial condition and prospects. Our ability to successfully expand our business operations in China depends on a number of factors, including macroeconomic and other market conditions, and credit availability from lending institutions. In response to the recent global and Chinese economic recession, the China government has promulgated several measures aimed at expanding credit and stimulating economic growth. We cannot assure you that the various macroeconomic measures, monetary policies and economic stimulus package adopted by the China government to guide economic growth will be effective in maintaining or sustaining the growth rate of the Chinese economy. If measures adopted by the China government fail to achieve further growth in the Chinese economy, it may adversely affect our growth, business strategies and operating results. In addition, changes in political and social conditions of China may adversely affect our ability to conduct our business in the region. For example, geopolitical disputes and increased tensions between China and its neighboring countries in which we conduct business could make it more difficult for us to coordinate and manage our international operations in such countries. Changes in China' s laws, legal protections or government policies on foreign investment in China may harm our business. Our business and corporate transactions, including our operations through the JV Company, are subject to laws and regulations applicable to foreign investment in China as well as laws and regulations applicable to foreign- invested enterprises. These laws and regulations frequently change, and their interpretation and enforcement ~~involves~~ - **involve** uncertainties that could limit the legal protections available to us. Regulations and rules on foreign investments in China impose restrictions on the means that a foreign investor like us may apply to facilitate corporate transactions we may undertake. In addition, the Chinese legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. If any of our past operations are deemed to be non-compliant with Chinese law, we may be subject to penalties and our business and operations may be adversely affected. For instance, under Special Administrative Measures (Negative List) for Foreign Investment Access, some industries are categorized as sectors which are restricted or prohibited for foreign investment. As the Negative List is updated every year, there can be no assurance that the China government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant authorities to engage in businesses which become prohibited or restricted for foreign investors, we may be forced to sell or restructure a business which has become restricted or prohibited for foreign investment. Furthermore, the China government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to us by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. If we are forced to adjust our corporate structure or business as a result of changes in government policy on foreign investment or changes in the interpretation and application of existing or new laws, our business, financial condition, results of operations and prospects may be harmed. Moreover, uncertainties in the Chinese legal system may impede our ability to enforce contracts with our business partners, customers and suppliers, or otherwise pursue claims in litigation to recover damages or loss of property, which could adversely affect our business and operations. The continuing trade tensions between the U. S. and China may result in increased tariffs on imported goods from China that could adversely affect our business operations. Since 2018, U. S. and China trade tensions led to higher and increasing tariffs imposed by both countries on the import of goods from the other country. The U. S. government used various authorities to implement tariffs on a variety of Chinese goods and materials, which, absent exemptions, include products and applications, including consumer electronics, that incorporate our power discrete and power IC products. In response, China has imposed tariffs on certain American products, and warned of additional actions if the U. S. imposes new or increased tariffs. The continuing trade tensions could have significant adverse effects on world trade and the world economy. While the two countries have negotiated and entered into agreements to gradually reduce certain tariffs, it' s unclear whether those agreements will significantly reduce the tariffs affecting our business operations. The ultimate level of tariffs, the ultimate scope of them, and whether or how any proposed additional tariffs will impact our business is uncertain. We believe that the imposition of additional tariffs by the U. S. government on products incorporating our power semiconductors could deter our customers from purchasing our products originating from China. If so, this would reduce demand for our power semiconductor products or result in pricing adjustments that would lower our gross margin, which could have a material adverse effect on our business and results of operations. ~~Substantial uncertainties~~ **Uncertainties** exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations. On March 15, 2019, the National People' s Congress of the PRC promulgated the Foreign Investment Law, which took effect on January 1, 2020, and replaced the existing laws regulating foreign investment in China, namely, the Sino- foreign Equity Joint Venture Enterprise Law, the Sino- foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign- invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies a PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law establishes the basic framework for the access, promotion, protection and administration of foreign investments in China in view of investment protection and fair competition. For example, treatment of foreign investors on a national level will be no less favorable than the treatment received by domestic investors unless such investments fall within a " negative list ". On June 30, 2019, the National Development and Reform Commission (the " NDRC ") and the Ministry of Commerce of the PRC (the " MOC ") published the Special Administrative Measures for Market Access of Foreign Investment (Negative List), which identifies specific sectors where foreign investors will be subject to special administrative measures. The Negative List has been updated twice in June 2020 for year 2021 and December 2021 for year 2022. The current effective Negative List took effect on January 1, 2022. Since the Foreign Investment Law was newly enacted, uncertainties still exist in relation to its interpretation and implementation. For example, the Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five- year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our China subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations. In addition, under the newly enacted Foreign Investment Law, foreign investors or the foreign invested enterprise should report investment information on the principle of necessity. Any company found to be non- complaint with such investment information reporting obligation might be potentially subject to fines or administrative liabilities. The transfer of funds from us to our China subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval by the China' s governmental authorities, including the State Administration of Foreign Exchange, or SAFE' s, or the relevant examination and approval authority. Our subsidiaries may also experience difficulties in converting our capital contributions made in foreign currencies into RMB due to changes in the China' s foreign exchange control policies. Therefore, it may be difficult to change capital expenditure plans once the relevant funds have been remitted from us to our China subsidiaries. These limitations and the difficulties our China subsidiaries may experience on the free flow of funds between us and our China subsidiaries could restrict our ability to act in response to changing market situations in a timely manner. China' s currency exchange control and government restrictions on investment repatriation may impact our ability to transfer funds outside of China. A significant portion of our business is conducted in China where the currency is the Renminbi. Regulations in China permit foreign owned entities to freely convert the Renminbi into foreign currency for transactions that fall under the " current account, " which includes trade related receipts and payments, interest and dividends. Accordingly, our Chinese subsidiaries may use Renminbi to purchase foreign exchange for settlement of such " current account " transactions without pre- approval. However, pursuant to applicable regulations, foreign - invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In calculating accumulated profits, foreign investment enterprises in China are required to allocate ~~at least~~ 10 % of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50 % of the registered capital of the enterprises. Other transactions that involve conversion of Renminbi into foreign currency are classified as " capital account " transactions; examples of " capital account " transactions include repatriations of investment by or loans to foreign owners, or direct equity investments in a foreign entity by a China domiciled entity. " Capital account " transactions require prior approval from, or registration with China' s State Administration of Foreign Exchange (SAFE) or its provincial branch or its authorized banks to convert a remittance into a foreign currency, such as U. S. dollars, and transmit the foreign currency outside of China. As a result of these and other restrictions under PRC laws and regulations, our China subsidiaries are restricted in their ability to transfer a portion of their net assets to the parent. Such restricted portion amounted to approximately $ ~~92~~ **93** . ~~4~~ **2** million, or 10. ~~8~~ **5** % of our total consolidated net assets attributed to the Company as of June 30, ~~2022~~ **2023** . We have no assurance that the relevant Chinese governmental authorities in the future will not limit further or eliminate the ability of our China subsidiaries to purchase foreign currencies and transfer such funds to us to meet our liquidity or other business needs. Any inability to access funds in China, if and when needed for use by the Company outside of China, could have a material and adverse effect on our liquidity and our business. The Regulations on Mergers and Acquisitions of Domestic Companies by

Foreign Investors, or the M & A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the Ministry of Commerce (" MOC") be notified in advance of any change- of- control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti- Monopoly Law requires that the MOC shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOC that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “ national defense and security ” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “ national security ” concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On July 1, 2015, the National Security Law of China took effect, which provided that China would establish rules and mechanisms to conduct national security review of foreign investments in China that may impact national security. China’ s Foreign Investment Law, which became effective in January 2020, reiterates that China will establish a security review system for foreign investments. On December 19, 2020, the NDRC and the MOC jointly issued the Measures for the Security Review of Foreign Investments (the “ New FISR Measures ”), which was made according to the National Security Law and the Foreign Investment Law of China and became effective on January 18, 2021. The New FISR Measures further expand the scope of national security review on foreign investment compared to the existing rules, while leaving substantial room for interpretation and speculation. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above- mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. While U. S. dollars is our main functional currency and our revenue and a significant portion of our operating expenses are denominated in U. S. dollars, we are required to maintain local currencies, primarily the RMB, in our cash balances in connection with the funding of our overseas operations. As a result, our costs and operating expenses may be exposed to adverse movements in foreign currency exchange rates between the U. S. dollar and RMB. We also do not utilize any financial instruments to hedge or reduce potential losses due to the fluctuation of foreign currency exchange rates. In general, any appreciation of U. S. dollars against a weaker RMB could reduce the value of our cash and cash equivalent balance, which could increase our operating expenses and negatively affect our cash flow, income and profitability. The value of RMB against the U. S. dollars may fluctuate and is affected by many factors outside of our control, including changes in political and economic conditions, implementation of new monetary policies by the Chinese government and changes in banking regulations, and there is no guarantee that we will be able to mitigate or recoup any losses due to a significant fluctuation in the U. S. dollar / RMB exchange rates. The PRC government promulgated the Labor Contract Law of the PRC, effective on January 1, 2008, as amended, to govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of and the amendment to employment contracts. The Labor Contract Law imposes greater liabilities on employers and significantly affects the cost of an employer’ s decision to reduce its workforce. Further, it requires that certain termination decisions be based upon seniority and not merit. In the event our subsidiaries decide to significantly change or decrease their workforce in China, the Labor Contract Law could adversely affect their ability to effect such changes in a manner that is most advantageous to our business or in a timely and cost- effective manner, thus materially and adversely affecting our financial condition and results of operations. In recent years, compensation in various industries in China has increased and may continue to increase in the future. In order to attract and retain skilled personnel, we may need to increase the compensation of our employees. Compensation may, also, increase as inflationary pressure increases in China. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for a specific employer are entitled to a paid vacation ranging from 5 to 15 days, depending on length of service. Employees who waive such vacation time at the request of employers must be compensated for three times their normal salaries for each waived vacation day. This mandated paid- vacation regulation, coupled with the trend of increasing compensation, may result in increase in our employee- related costs and expenses and decrease in our profit margins. Taiwan has a unique international political status. China does not recognize the sovereignty of Taiwan. Although significant economic and cultural relations have been established during recent years between Taiwan and China, relations have often been strained. A substantial number of our key customers and some of our essential sales and engineering personnel are located in Taiwan, and we have a large number of operational personnel and employees located in China. Therefore, factors affecting military, political or economic relationship between China and Taiwan could have an adverse effect on our business, financial condition and operating results. Limited trading volumes and liquidity of our common shares on the NASDAQ Global Select Market may limit the ability of shareholders to purchase or sell our common shares in the amounts and at the times they wish. In addition, the financial markets in the United States and other countries have experienced significant price and volume fluctuations, and market prices of technology companies have been and continue to be extremely volatile. The trading price of our common shares on The NASDAQ Global Select Market ranged from a low of $ ~~24~~ **23** . ~~40~~ **36** to high of $ ~~65~~ **44** . ~~72~~ **89** from July 1, ~~2021~~ **2022** to June 30, ~~2022~~ **2023** . At July 31, ~~2022~~ **2023** , the trading price of our common shares was $ ~~42~~ **32** . ~~01~~ **88** . Volatility in the price of our shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. The market price for our common shares may be volatile and subject to wide fluctuations in response to factors, including: • actual or anticipated fluctuations in our operating results; • general economic, industry, regional and global market conditions, including the economic conditions of specific market segments for our products, including the PC markets; • our failure to meet analysts' expectations, including expectation regarding our revenue, gross margin and operating expenses; • changes in financial estimates and outlook by securities research analysts; • our ability to increase our gross margin; • announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments; • announcements of technological or competitive developments; • announcement of acquisition, partnership and major corporate transactions; • regulatory developments in our target markets affecting us, our customers or our competitors; • our ability to enter into new market segments, gain market share, diversify our customer base and successfully secure manufacturing capacity; • announcements regarding intellectual property disputes or litigation involving us or our competitors; • changes in the estimation of the future size and growth rate of our markets; • announcement of significant legal proceedings, litigation or government investigation; • additions or departures of key personnel; • repurchase of shares under our repurchase program; • announcement of sales of our securities by us or by our major shareholders; • general economic or political conditions in China and other countries in Asia; and • other factors. In the past, securities class action litigation has often been brought against a company following periods of volatility in such company' s share price. This type of litigation could result in substantial costs and divert our management' s attention and resources which could negatively impact our business and financial conditions. See Item 3. Legal Proceeding **. If securities or industry analysts adversely change their recommendations regarding our common shares or if our operating results do not meet their expectations, the trading price of our common shares could decline** . The market price of our common shares is influenced by the research and reports that industry or securities analysts publish about us or our business. There is no guarantee that these analysts will understand our business and results, or that their reports will be accurate or correctly predict our operating results or prospects. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the market price of our common shares or its trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrade our common shares or if our operating results or prospects do not meet their expectations, the market price of our common shares could decline significantly. Certain provisions in our bye- laws may delay or prevent an acquisition of us or a change in our management. In addition, by making it more difficult for shareholders to replace members of our board of directors, these provisions also may frustrate or prevent any attempts by our shareholders to replace or remove our current management because our board of directors is responsible for appointing the members of our management team. These provisions include: • the ability of our board of directors to determine the rights, preferences and privileges of our preferred shares and to issue the preferred shares without shareholder approval; • advance notice requirements for election to our board of directors and for proposing matters that can be acted upon at shareholder meetings; and • the requirement to remove directors by a resolution passed by at least two- thirds of the votes cast by the shareholders having a right to attend and vote at the shareholder meeting. These provisions could make it more difficult for a third- party to acquire us, even if the third- party' s offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their shares. We are a Bermuda limited liability exempted company. As a result, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye- laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions, including the U. S. For example, some of our directors are not residents of the United States, and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the U. S. or to enforce in the U. S. judgments obtained in U. S. courts against us or those persons based on civil liability provisions of the U. S. securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the U. S., against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions. ~~39~~