Risk Factors Comparison 2023-08-22 to 2022-08-16 Form: 10-K

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Investing in our ordinary shares involves a high degree of risk. You should carefully consider the following risks as well as the other information contained in this Annual Report on Form 10- K, including our consolidated financial statements and the related notes, before investing in our ordinary shares. The risks and uncertainties described below are not the only ones that we may face. Additional risks and uncertainties of which we are unaware, or that we currently deem immaterial, also may become important factors that affect us or our ordinary shares. If any of the following risks actually occur, they may harm our business, financial condition and operating results. In this event, the market price of our ordinary shares could decline and you could lose some or all of your investment. ~~COVID- 19 and Macroeconomic Environment Updates The COVID- 19 pandemic has adversely affected the global economy, disrupted global supply chains and created significant volatility in the financial markets. In addition, the pandemic has resulted in travel restrictions, business closures and the institution of quarantines and other restrictions on movement in many communities. The extent of the impact of COVID- 19 on our future business, financial condition and operating results will depend largely on future developments, including (i) the duration and magnitude of the pandemic; (ii) the measures taken by governmental authorities and private sectors to limit the spread of COVID- 19; (iii) our ability to continue providing products and services; and (iv) the effect of the pandemic and resulting global economic uncertainty and financial market volatility on our customers, all of which are highly uncertain and unpredictable. While we have updated our risk factors to reflect risks of which we are aware, this situation is changing rapidly and additional impacts may arise that we are not aware of currently. In addition, increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, Russia' s invasion of Ukraine, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Although such events have not significantly affected our business or operations, the ultimate impact is unknown and future developments could adversely affect our financial condition and operating results.~~ Company and Operational Risks Our sales depend on a small number of customers. A reduction in orders from any of these customers, the loss of any of these customers, or a customer exerting significant pricing and margin pressures on us could harm our business, financial condition and operating results. We have depended, and will continue to depend, upon a small number of customers for a significant percentage of our revenues. During ~~each of~~ fiscal years **2023 and** 2022 ~~and 2021~~, we had **four and** three customers **, respectively,** that each contributed 10 % or more of our revenues. Such customers together accounted for **55. 9 % and** 48. 2 ~~% and 35. 9~~ % of our revenues during the respective periods. Dependence on a small number of customers means that a reduction in orders from, a loss of, or other adverse actions by any one of these customers would reduce our revenues and could have a material adverse effect on our business, financial condition and operating results. Further, our customer concentration increases the concentration of our accounts receivable and our exposure to payment default by any of our key customers. Many of our existing and potential customers have substantial debt burdens, have experienced financial distress or have static or declining revenues, all of which may be exacerbated by the **current** ~~sudden and continuing~~ global economic downturn ~~and uncertainty due to COVID- 19~~ and subsequent adverse conditions in the credit markets, as well as the impact of the U. S.- China trade dispute. Certain of our customers have gone out of business, declared bankruptcy, been acquired, or announced their withdrawal from segments of the optics market. We generate significant accounts payable and inventory for the services that we provide to our customers, which could expose us to substantial and potentially unrecoverable costs if we do not receive payment from our customers. Our reliance on a small number of customers gives our customers substantial purchasing power and leverage in negotiating contracts with us. In addition, although we enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we are awarded business under those agreements on a project- by- project basis. Some of our customers have at times significantly reduced or delayed the volume of manufacturing services that they order from us. If we are unable to maintain our relationships with our existing significant customers, our business, financial condition and operating results could be harmed. Consolidation in the markets we serve could harm our business, financial condition and operating results. Consolidation in the markets we serve has resulted in a reduction in the number of potential customers for our services. For example, Lumentum Holdings Inc. **completed its acquisition of NeoPhotonics Corporation in August 2022; Coherent Corp.** (~~" Lumentum "~~ **formerly known as II- VI Incorporated**) completed its acquisition of ~~NeoPhotonics Corporation~~ **Coherent, Inc.** in ~~August~~ **July** 2022; **and Cisco Systems, Inc.** ~~II- VI Incorporated (" II- VI ")~~ completed its acquisition of ~~Coherent, Inc. in July 2022; Cisco Systems, Inc. completed its acquisition of~~ Acacia Communications Inc. in March 2021 ~~; II- VI completed its acquisition of Finisar Corporation in September 2019; and Lumentum completed its acquisition of Oclaro, Inc. in December 2018~~. In some cases, consolidation among our customers has led to a reduction in demand for our services as customers have acquired the capacity to manufacture products in- house. Consolidation among our customers and their customers will continue to adversely affect our business, financial condition and operating results in several ways. Consolidation among our customers and their customers may result in a smaller number of large customers whose size and purchasing power give them increased leverage that may result in, among other things, decreases in our average selling prices. In addition to pricing pressures, this consolidation may also reduce overall demand for our manufacturing services if customers obtain new capacity to manufacture products in- house or discontinue duplicate or competing product lines in order to streamline operations. If demand for our manufacturing services decreases, our business, financial condition and operating results could be harmed. If the optical communications market does not expand as we expect, our business may not grow as fast as we expect, which could adversely impact our business, financial condition and operating results. Revenues from optical communications products represented **75. 9 % and** 78. 8 ~~% and 76. 7~~ % of our revenues for fiscal year ~~2022~~ **2023** and fiscal year ~~2021~~ **2022** , respectively. Our future success as a provider of precision optical, electro- mechanical and electronic manufacturing services for the optical communications market depends on the continued growth of the optics industry and, in particular, the continued expansion of global information networks, particularly those directly or indirectly dependent upon a fiber optic infrastructure. As part of that growth, we anticipate that demand for voice, video, and other data services delivered over high- speed connections (both wired and wireless) will continue to increase. Without network and bandwidth growth, the need for enhanced communications products would be jeopardized. Currently, demand for network services and for high- speed broadband access, in particular, is increasing but growth may be limited by several factors, including, among others: (1) relative strength or weakness of the global economy or the economy in certain countries or regions, (2) an uncertain regulatory environment, and (3) uncertainty regarding long- term sustainable business models as multiple industries, such as the cable, traditional telecommunications, wireless and satellite industries, offer competing content delivery solutions. The optical communications market also has experienced periods of overcapacity, some of which have occurred even during periods of relatively high network usage and bandwidth demands. If the factors described above were to slow, stop or reverse the expansion in the optical communications market, our business, financial condition and operating results would be negatively affected. Our quarterly revenues, gross profit margins and operating results have fluctuated significantly and may continue to do so in the future, which may cause the market price of our ordinary shares to decline or be volatile. Our quarterly revenues, gross profit margins, and operating results have fluctuated significantly and may continue to fluctuate significantly in the future. For example, any of the risks described in this " Risk Factors " section and, in particular, the following factors, could cause our revenues, gross profit margins, and operating results to fluctuate from quarter to quarter: • any reduction in customer demand or our ability to fulfill customer orders as a result of disruptions in our supply chain ~~caused by COVID- 19 or geopolitical conflicts such as the ongoing armed conflict in Ukraine~~ ; • our ability to acquire new customers and retain our existing customers; • the cyclicality of the optical communications, industrial lasers, medical and sensors markets; • competition; • our ability to achieve favorable pricing for our services; • the effect of fluctuations in foreign currency exchange rates; • our ability to manage our headcount and other costs; and • changes in the relative mix in our revenues. Therefore, we believe that quarter- to- quarter comparisons of our operating results may not be useful in predicting our future operating results. You should not rely on our results for one quarter as any indication of our future performance. Quarterly variations in our operations could result in significant volatility in the market price of our ordinary shares. If we are unable to continue diversifying our precision optical and electro- mechanical manufacturing services across other markets within the optics industry, such as the semiconductor processing, biotechnology, metrology and material processing markets, or if these markets do not grow as fast as we expect, our business may not grow as fast as we expect, which could adversely impact our business, financial condition and operating results. We intend to continue diversifying across other markets within the optics industry, such as the semiconductor processing, biotechnology, metrology, and material processing markets, to reduce our dependence on the optical communications market and to grow our business. Currently, the optical communications market contributes the significant majority of our revenues. There can be no assurance that our efforts to further expand and diversify into other markets within the optics industry will prove successful or that these markets will continue to grow as fast as we expect. If the opportunities presented by these markets prove to be less than anticipated, if we are less successful than expected in diversifying into these markets, or if our margins in these markets prove to be less than expected, our growth may slow or stall, and we may incur costs that are not offset by revenues in these markets, all of which could harm our business, financial condition and operating results. We face significant competition in our business. If we are unable to compete successfully against our current and future competitors, our business, financial condition and operating results could be harmed. Our current and prospective customers tend to evaluate our capabilities against the merits of their internal manufacturing as well as the capabilities of other third- party manufacturers. We believe the internal manufacturing capabilities of current and prospective customers are our primary competition. This competition is particularly strong when our customers have excess manufacturing capacity, as was the case when the markets that we serve experienced a significant downturn in 2008 and 2009 that resulted in underutilized capacity. Should our existing and potential customers have excess manufacturing capacity at their facilities, it could adversely affect our business. In addition, as a result of the 2011 flooding in Thailand, some of our customers began manufacturing products internally or using other third- party manufacturers that were not affected by the flooding. If our customers choose to manufacture products internally rather than to outsource production to us, or choose to outsource to a different third- party manufacturer, our business, financial condition and operating results could be harmed. Competitors in the market for optical manufacturing services include Benchmark Electronics, Inc., Celestica Inc., Sanmina- SCI Corporation, Jabil Circuit, Inc., and Venture Corporation Limited. Our customized optics and glass operations face competition from companies such as Browave Corporation, Fujian Castech Crystals, Inc., Photop Technologies, Inc., and Research Electro- Optic, Inc ~~. Our U. K. competitors for printed circuit board assemblies include STI Limited, Axiom Manufacturing Services Limited and TT Electronics plc~~ . Other existing contract manufacturing companies, original design manufacturers or outsourced semiconductor assembly and test companies could also enter our target markets. In addition, we may face new competitors as we attempt to penetrate new markets. Many of our customers and potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater resources than we have. These advantages may allow them to devote greater resources than we can to the development and promotion of service offerings that are similar or superior to our service offerings. These competitors may also engage in more extensive research and development, undertake more far- reaching marketing campaigns, adopt more aggressive pricing policies or offer services that achieve greater market acceptance than ours. These competitors may also compete with us by making more attractive offers to our existing and potential employees, suppliers, and strategic partners. Further, consolidation in the optics industry could lead to larger and more geographically diverse competitors. New and increased competition could result in price reductions for our services, reduced gross profit margins or loss of market share. We may not be able to compete successfully against our current and future competitors, and the competitive pressures we face may harm our business, financial condition and operating results. Cancellations, delays or reductions of customer orders and the relatively short- term nature of the commitments of our customers could harm our business, financial condition and operating results. We do not typically obtain firm purchase orders or commitments from our customers that extend beyond 13 weeks. While we work closely with our customers to develop forecasts for periods of up to one year, these forecasts are not binding and may be unreliable. Customers may cancel their orders, change production quantities from forecasted volumes or delay production for a number of reasons beyond our control. Any material delay, cancellation or reduction of orders could cause our revenues to decline significantly and could cause us to hold excess materials. Many of our costs and operating expenses are fixed. As a result, a reduction in customer demand could decrease our gross profit and harm our business, financial condition and operating results. ~~For example, in the six months ended June 26, 2020, due to COVID- 19 we experienced some order cancellations and delays with respect to telecom products that we manufacture for our customers; however, these cancellations and delays were partially offset by increased demand for datacom products.~~ In addition, we make significant decisions with respect to production schedules, material procurement commitments, personnel needs and other resource requirements based on our estimate of our customers' requirements. The short- term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of our customers. Inability to forecast the level of customer orders with certainty makes it difficult to allocate resources to specific customers, order appropriate levels of materials and maximize the use of our manufacturing capacity. This could also lead to an inability to meet a spike in production demand, all of which could harm our business, financial condition and operating results. Our exposure to financially troubled customers or suppliers could harm our business, financial condition and operating results. Some of our customers and suppliers have in the past and may in the future experience financial difficulty, particularly in light of the ~~sudden and continuing~~ global economic downturn and uncertainty due to COVID- 19 and subsequent adverse conditions in the credit markets that have affected access to capital and liquidity **. In addition, the recent failures of Silicon Valley Bank and Signature Bank created significant market disruption and uncertainty within the U. S. banking sector, in particular with respect to regional banks. During challenging economic times, our customers may face difficulties in gaining timely access to sufficient credit, which could impact their ability to make timely payments to us** . As a result, we devote significant resources to monitor receivables and inventory balances with certain of our customers. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our services from these customers could decline. If our suppliers experience financial difficulty, we could have trouble sourcing materials necessary to fulfill production requirements and meet scheduled shipments. Any such financial difficulty could adversely affect our operating results and financial condition by resulting in a reduction in our revenues, a charge for inventory write- offs, a provision for doubtful accounts, and larger working capital requirements due to increased days in inventory and days in accounts receivable. We purchase some of the critical materials used in certain of our products from a single source or a limited number of suppliers. Supply shortages have in the past, and could in the future, impair the quality, reduce the availability or increase the cost of materials, which could harm our revenues, profitability and customer relations. We rely on a single source or a limited number of suppliers for critical materials used in a significant number of the products we manufacture. We generally purchase these single or limited source materials through standard purchase orders and do not maintain long- term supply agreements with our suppliers. We generally use a rolling 12- month forecast based on anticipated product orders, customer forecasts, product order history, backlog, and warranty and service demand to determine our materials requirements. Lead times for the parts and components that we order vary significantly and depend on factors such as manufacturing cycle times, manufacturing yields, and the availability of raw materials used to produce the parts or components. Historically, we have experienced supply shortages resulting from various causes, including reduced yields by our suppliers, which prevented us from manufacturing products for our customers in a timely manner. ~~Recently, we experienced significant fluctuations in the availability of certain materials due to COVID- 19, which had an adverse impact on our revenue and costs for the six months ended June 26, 2020. Currently, we are experiencing various levels of semiconductor impact due to a significant global shortage.~~ The semiconductor supply chain is complex, and **,** ~~a constrained wafer capacity is occurring deep~~ in **recent years,** ~~the~~ **there** ~~chain~~ **has been a significant global shortage of semiconductors** . **Demand for consumer electronics surged** ~~During~~ **during** the COVID- 19 pandemic **and remains strong** ~~, there has been a surging demand for consumer electronics~~ , which in turn has increased the demand for semiconductors. At the same time, wafer foundries that support chipmakers have not invested enough in recent years to increase capacities to the levels needed to support ~~current~~ **the increased** demand from all of their customers. ~~Wafers have a~~ **Further exacerbating the shortage is the** long **production** lead **-** time for ~~production~~ **wafers** , **which can take up to 30 weeks** in some cases ~~up to 30 weeks, which further exacerbates the shortage~~ . A shortage of semiconductors or other key components can cause a significant disruption to our production schedule and have a substantial adverse effect on our business, financial condition and operating results. Our revenues, profitability and customer relations will be harmed by continued fluctuations in the availability of materials, a stoppage or delay of supply, a substitution of more expensive or less reliable parts, the receipt of defective parts or contaminated materials, an increase in the price of supplies, or an inability to obtain reductions in price from our suppliers in response to competitive pressures. We continue to undertake programs to strengthen our supply chain. Nevertheless, we are experiencing, and expect for the foreseeable future to experience, strain on our supply chain, as well as periodic supplier problems. These supply chain issues have impacted, and will continue to impact, our ability to generate revenue. In addition, we have incurred, and expect for the foreseeable future to incur, increased costs related to our efforts to address these problems. Managing our inventory is complex and may require write- downs due to excess or obsolete inventory, which could cause our operating results to decrease significantly in a given fiscal period. Managing our inventory is complex. We are generally required to procure materials based upon the anticipated demand of our customers. The inaccuracy of these forecasts or estimates could result in excess supply or shortages of certain materials. Inventory that is not used or expected to be used as and when planned may become excess or obsolete. Generally, we are unable to use most of the materials purchased for one of our customers to manufacture products for any of our other customers. Additionally, we could experience reduced or delayed product shipments or incur additional inventory write- downs and cancellation charges or penalties, which would increase costs and could harm our business, financial condition and operating results. While our agreements with customers are structured to mitigate our risks related to excess or obsolete inventory, enforcement of these provisions may result in material expense, and delay in payment for inventory. If any of our significant customers becomes unable or unwilling to purchase inventory or does not agree to such contractual provisions in the future, our business, financial condition and operating results may be harmed. If we fail to adequately expand our manufacturing capacity, we will not be able to grow our business, which would harm our business, financial condition and operating results. Conversely, if we expand too much or too rapidly, we may experience excess capacity, which would harm our business, financial condition and operating results. We may not be able to pursue many large customer orders or sustain our historical growth rates if we do not have sufficient manufacturing capacity to enable us to commit to provide customers with specified quantities of products. If our customers do not believe that we have sufficient manufacturing capacity, they may: (1) outsource all of their production to another manufacturer that they believe can fulfill all of their production requirements; (2) look to a second manufacturer for the manufacture of additional quantities of the products that we currently manufacture for them; (3) manufacture the products themselves; or (4) decide against using our services for their new products. Most recently, we expanded our manufacturing capacity by building a new facility at our Chonburi campus in Thailand in 2022. We may continue to devote significant resources to the expansion of our manufacturing capacity, and any such expansion will be expensive, will require management' s time and may disrupt our operations. In the event we are unsuccessful in our attempts to expand our manufacturing capacity, our business, financial condition and operating results could be harmed. However, if we successfully expand our manufacturing capacity but are unable to promptly utilize the additional space due to reduced demand for our services or an inability to win new projects, add new customers or penetrate new markets, or if the optics industry does not grow as we expect, we may experience periods of excess capacity, which could harm our business, financial condition and operating results. We may experience manufacturing yields that are lower than expected, potentially resulting in increased costs, which could harm our business, operating results and customer relations. Manufacturing yields depend on a number of factors, including the following: • the quality of input, materials and equipment; • the quality and feasibility of our customer' s design; • the repeatability and complexity of the manufacturing process; • the experience and quality of training of our manufacturing and engineering teams; and • the monitoring of the manufacturing environment. Lower volume production due to continually changing designs generally results in lower yields. Manufacturing yields and margins can also be lower if we receive or inadvertently use defective or contaminated materials from our suppliers. In addition, our customer contracts typically provide that we will supply products at a fixed price each quarter, which assumes specific production yields and quality metrics. If we do not meet the yield assumptions and quality metrics used in calculating the price of a product, we may not be able to recover the costs associated with our failure to do so. Consequently, our operating results and profitability may be harmed. If the products that we manufacture contain defects, we could incur significant correction costs, demand for our services may decline and we may be exposed to product liability and product warranty claims, which could harm our business, financial condition, operating results and customer relations. We manufacture products to our customers' specifications, and our manufacturing processes and facilities must comply with applicable statutory and regulatory requirements. In addition, our customers' products and the manufacturing processes that we use to produce them are often complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or fail to be in compliance with applicable statutory or regulatory requirements. Additionally, not all defects are immediately detectable. The testing procedures of our customers are generally limited to the evaluation of the products that we manufacture under likely and foreseeable failure scenarios. For various reasons (including, among others, the occurrence of performance problems that are unforeseeable at the time of testing or that are detected only when products are fully deployed and operated under peak stress conditions), these products may fail to perform as expected after their initial acceptance by a customer. We generally provide a warranty of between one to five years on the products that we manufacture for our customers. This warranty typically guarantees that products will conform to our customers' specifications and be free from defects in workmanship. Defects in the products we manufacture, whether caused by a design, engineering, manufacturing or component failure or by deficiencies in our manufacturing processes, and whether such defects are discovered during or after the warranty period, could result in product or component failures, which may damage our business reputation, whether or not we are indemnified for such failures. We could also incur significant costs to repair or replace defective products under warranty, particularly when such failures occur in installed systems. In some instances, we may also be required to incur costs to repair or replace defective products outside of the warranty period in the event that a recurring defect is discovered in a certain percentage of a customer' s products delivered over an agreed upon period of time. We have experienced product or component failures in the past and remain exposed to such failures, as the products that we manufacture are widely deployed throughout the world in multiple environments and applications. Further, due to the difficulty in determining whether a given defect resulted from our customer' s design of the product or our manufacturing process, we may be exposed to product liability or product warranty claims arising from defects that are not attributable to our manufacturing process. In addition, if the number or type of defects exceeds certain percentage limitations contained in our contractual arrangements, we may be required to conduct extensive failure analysis, re-qualify for production or cease production of the specified products. Product liability claims may include liability for personal injury or property damage. Product warranty claims may include liability for a recall, repair or replacement of a product or component. Although liability for these claims is generally assigned to our customers in our contracts, even where they have assumed liability our customers may not, or may not have the resources to, satisfy claims for costs or liabilities arising from a defective product. Additionally, under one of our contracts, in the event the products we manufacture do not meet the end-customer' s testing requirements or otherwise fail, we may be required to pay penalties to our customer, including a fee during the time period that the customer or end- customer' s production line is not operational as a result of the failure of the products that we manufacture, all of which could harm our business, operating results and customer relations. If we engineer or manufacture a product that is found to cause any personal injury or property damage or is otherwise found to be defective, we could incur significant costs to resolve the claim. While we maintain insurance for certain product liability claims, we do not maintain insurance for any recalls and, therefore, would be required to pay any associated costs that are determined to be our responsibility. A successful product liability or product warranty claim in excess of our insurance coverage or any material claim for which insurance coverage is denied, limited, is not available or has not been obtained could harm our business, financial condition and operating results. If we fail to attract additional skilled employees or retain key personnel, our business, financial condition and operating results could suffer. Our future success depends, in part, upon our ability to attract additional skilled employees and retain our current key personnel. We have identified several areas where we intend to expand our hiring, including business development, finance, human resources, operations and supply chain management. We may not be able to hire and retain such personnel at compensation levels consistent with our existing compensation and salary structure. Our future also depends on the continued contributions of our executive management team and other key management and technical personnel, each of whom would be difficult to replace. Although we have key person life insurance policies on some of our executive officers, the loss of any of our executive officers or key personnel or the inability to continue to attract qualified personnel could harm our business, financial condition and operating results. Risks Related to Our International Operations Fluctuations in foreign currency exchange rates and changes in governmental policies regarding foreign currencies could increase our operating costs, which would adversely affect our operating results. Volatility in the functional and non- functional currencies of our entities and the U. S. dollar could seriously harm our business, financial condition and operating results. The primary impact of currency exchange fluctuations is on our cash, receivables, and payables of our operating entities. We may experience significant unexpected losses from fluctuations in exchange rates. For example, in the three months ended ~~March 29~~ **December 30** , ~~2019~~ **2022** , we experienced a $ 3. ~~1~~ **9** million foreign exchange loss, which negatively affected our net income per share for the same period by $ 0. ~~08~~ **11** . Our customer contracts generally require that our customers pay us in U. S. dollars. However, the majority of our payroll and other operating expenses are paid in Thai baht. As a result of these arrangements, we have significant exposure to changes in the exchange rate between the Thai baht and the U. S. dollar, and our operating results are adversely impacted when the U. S. dollar depreciates relative to the Thai baht and other currencies. As of June ~~24~~ **30** , ~~2022~~ **2023** , the U. S. dollar had appreciated approximately ~~15~~ **12** . 0 % against the Thai baht since June ~~26~~ **25** , ~~2020~~ **2021** . While we attempt to hedge against certain exchange rate risks, we typically enter into hedging contracts with maturities of up to 12 months, leaving us exposed to longer term changes in exchange rates. Additionally, we have significant exposure to changes in the exchange rate between the Chinese Renminbi (" RMB ") and pound sterling (" GBP ") and the U. S. dollar. The expenses of our subsidiaries located in the PRC and the United Kingdom are denominated in RMB and GBP, respectively. Currently, RMB are convertible in connection with trade and service- related foreign exchange transactions, foreign debt service, and payment of dividends. The PRC government may at its discretion restrict access in the future to foreign currencies for current account transactions. If this occurs, our PRC subsidiary may not be able to pay us dividends in U. S. dollars without prior approval from the PRC State Administration of Foreign Exchange. In addition, conversion of RMB for most capital account items, including direct investments, is still subject to government approval in the PRC. This restriction may limit our ability to invest the earnings of our PRC subsidiary. As of June ~~24~~ **30** , ~~2022~~ **2023** , the U. S. dollar had ~~depreciated~~ **appreciated** approximately ~~5~~ **12** . ~~5~~ **4** % against the RMB since June ~~26~~ **25** , ~~2020~~ **2021** . There remains significant international pressure on the PRC government to adopt a substantially more liberalized currency policy. GBP are convertible in connection with trade and service- related foreign exchange transactions and foreign debt service. As of June ~~24~~ **30** , ~~2022~~ **2023** , the U. S. dollar had appreciated approximately ~~1~~ **10** . ~~3~~ **4** % against the GBP since June ~~26~~ **25** , ~~2020~~ **2021** . Any appreciation in the value of the RMB and GBP against the U. S. dollar could negatively impact our operating results. We conduct operations in a number of countries, which creates logistical and communications challenges for us and exposes us to other risks and challenges that could harm our business, financial condition and operating results. The vast majority of our operations, including manufacturing and customer support, are located primarily in the Asia- Pacific region. The distances between Thailand, the PRC and our customers and suppliers globally create a number of logistical and communications challenges for us, including managing operations across multiple time zones, directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations and coordinating the activities and decisions of our management team, the members of which are based in different countries. Our customers are located throughout the world, and our principal manufacturing facilities are located in Thailand. Revenues from the bill- to- location of customers outside of North America accounted for **52. 0 %,** 50. 7 % ~~,~~ **and** 52. 8 ~~% and 49. 4~~ % of our revenues for fiscal year **2023, fiscal year** 2022 ~~,~~ **and** fiscal year 2021 ~~and fiscal year 2020~~ , respectively. We expect that revenues from the bill- to- location of customers outside of North America will continue to account for a significant portion of our revenues. Our customers also depend on international sales, which further exposes us to the risks associated with international operations. Conducting business outside the United States subjects us to a number of ~~additional~~ risks and challenges, including: • compliance with a variety of domestic and foreign laws and regulations, including trade regulatory requirements; • periodic changes in a specific country or region' s economic conditions, such as recession; • unanticipated restrictions on our ability to sell to foreign customers where sales of products and the provision of services may require export licenses or are prohibited by government action (for example, ~~in early 2018,~~ the U. S. Department of Commerce prohibited the export and sale of a broad category of U. S. products, as well as the provision of services, to ZTE Corporation **in early 2018** , and **to Huawei** in 2019 ~~, to Huawei~~ , both of which are customers of certain of our customers); • fluctuations in currency exchange rates; • inadequate protection of intellectual property rights in some countries; and • political, legal and economic instability, foreign conflicts, and the impact of regional and global infectious illnesses in the countries in which we and our customers and suppliers are located (for example, disruptions to international operations associated with the occurrence of the COVID- 19 pandemic or the ongoing armed conflict in Ukraine). Our failure to manage the risks and challenges associated with our international operations could have a material adverse effect on our business. We are subject to governmental export and import controls in several jurisdictions that subject us to a variety of risks, including liability, impairment of our ability to compete in international markets, and decreased sales and customer orders. We are subject to governmental export and import controls in Thailand, the PRC, the United Kingdom and the United States that may limit our business opportunities. Various countries regulate the import of certain technologies and have enacted laws or taken actions that could limit (1) our ability to export or sell the products we manufacture and (2) our customers' ability to export or sell products that we manufacture for them. The export of certain technologies from the United States, the United Kingdom and other nations to the PRC is barred by applicable export controls, and similar prohibitions could be extended to Thailand, thereby limiting our ability to manufacture certain products. Any change in export or import regulations or related legislation, shift in approach to the enforcement of existing regulations, or change in the countries, persons or technologies targeted by such regulations could limit our ability to offer our manufacturing services to existing or potential customers, which could harm our business, financial condition and operating results. For example, the May 2019 addition of Huawei and certain affiliates by the U. S. Commerce Department' s Bureau of Industry and Security (" BIS") to the BIS Entity List denied Huawei the ability to purchase products, software and technology that are subject to U. S. Export Administration Regulations. Although we do not sell directly to Huawei, some of our customers do sell to Huawei (and its affiliates) directly. To ensure compliance, some of our customers immediately suspended shipments to Huawei in order to assess whether their products were subject to the restrictions resulting from the ban. This had an immediate impact on our customer orders in the ~~fourth quarter of fiscal year~~ **three months ended June 28,** 2019, which affected our revenue for that quarter. We expect this ban to continue to adversely affect orders from our customers for the foreseeable future. We are subject to risks related to the ongoing U. S.- China trade dispute, including increased tariffs on materials that we use in manufacturing, which could adversely affect our business, financial condition and operating results. In August 2019, the U. S. imposed tariffs on a wide range of products and goods manufactured in the PRC that are directly or indirectly imported into the U. S. Although the U. S. announced on January 15, 2020 the reduction of certain tariffs on Chinese imported goods and delayed the implementation of certain other related tariffs, we have no assurance that the U. S. will not continue to increase or impose tariffs on imports from the PRC or alter trade agreements and terms between the PRC and the U. S., which may include limiting trade with the PRC. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost of materials we use to manufacture certain products, which could result in lower margins. The tariffs could also result in disruptions to our supply chain, as suppliers struggle to fill orders from companies trying to purchase goods in bulk ahead of announced tariffs taking effect. The adoption of trade tariffs both globally and between the U. S. and the PRC specifically could also cause a decrease in the sales of our customers' products to end- users located in the PRC, which could directly impact our revenues in the form of reduced orders. If existing tariffs are raised further, or if new tariffs are imposed on additional categories of components used in our manufacturing activities, and if we are unable to pass on the costs of such tariffs to our customers, our operating results would be harmed. Political unrest and demonstrations, as well as changes in the political, social, business or economic conditions in Thailand, could harm our business, financial condition and operating results. The majority of our assets and manufacturing operations are located in Thailand. Therefore, political, social, business and economic conditions in Thailand have a significant effect on our business. ~~In March 2022, Thailand was assessed as a medium political risk by Marsh, an insurance broker and risk advisor.~~ Any changes to tax regimes, laws, exchange controls or political action in Thailand may harm our business, financial condition and operating results. Thailand has a history of political unrest that includes the involvement of the military as an active participant in the ruling government. In recent years, political unrest in the country has sparked political demonstrations and, in some instances, violence. Any future political instability in Thailand could prevent shipments from entering or leaving the country, disrupt our ability to manufacture products in Thailand, and force us to transfer our operations to more stable, and potentially more costly, regions, which would harm our business, financial condition and operating results. Further, the Thai government may raise the minimum wage standards for labor and could repeal certain promotional certificates that we have received or tax holidays for certain export and value added taxes that we enjoy, either preventing us from engaging in our current or anticipated activities or subjecting us to higher tax rates. We expect to continue to invest in our manufacturing operations in the **People' s Republic of China ("** PRC **")**, which will continue to expose us to risks inherent in doing business in the PRC, any of which risks could harm our business, financial condition and operating results. We anticipate that we will continue to invest in our customized optics manufacturing facilities located in Fuzhou, the PRC. Because these operations are located in the PRC, they are subject to greater political, legal and economic risks than the geographies in which the facilities of many of our competitors and customers are located. In particular, the political and economic climate in the PRC (both at national and regional levels) is fluid and unpredictable ~~. In March 2022, the PRC was assessed as a medium political risk by Marsh~~ . A large part of the PRC' s economy is still being operated under varying degrees of control by the PRC government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation, import and export tariffs, environmental regulations, land use rights, intellectual property and restrictions on foreign participation in the domestic market of various industries, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to change further. Any changes to the political, legal or economic climate in the PRC could harm our business, financial condition and operating results. Our PRC subsidiary is a " wholly foreign- owned enterprise " and is therefore subject to laws and regulations applicable to foreign investment in the PRC, in general, and laws and regulations applicable to wholly foreign- owned enterprises, in particular. The PRC has made significant progress in the promulgation of laws and regulations pertaining to economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects. In addition, these laws and regulations are relatively new, and published cases are limited in volume and non-binding. Therefore, the interpretation and enforcement of these laws and regulations involve significant uncertainties. Laws may be changed with little or no prior notice, for political or other reasons. These uncertainties could limit the legal protections available to foreign investors. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management' s attention. Natural disasters, epidemics ~~(including COVID- 19)~~ , acts of terrorism and ~~other~~ political and economic developments could harm our business, financial condition and operating results. Natural disasters could severely disrupt our manufacturing operations and increase our supply chain costs. These events, over which we have little or no control, could cause a decrease in demand for our services, make it difficult or impossible for us to manufacture and deliver products or for our suppliers to deliver components allowing us to manufacture those products, require large expenditures to repair or replace our facilities, or create delays and inefficiencies in our supply chain. For example, the 2011 flooding in Thailand forced us to temporarily shut down all of our manufacturing facilities in Thailand and cease production permanently at our **former** Chokchai facility, which adversely affected our ability to meet our customers' demands during fiscal year 2012. In some countries in which we operate, including the PRC, the U. S., ~~the U. K.~~ and Thailand, outbreaks of infectious diseases such as COVID- 19, H1N1 influenza virus, severe acute respiratory syndrome ~~(" SARS ")~~ or bird flu could disrupt our manufacturing operations, reduce demand for our customers' products and increase our supply chain costs. For example, ~~our facility in Fuzhou, the PRC, which manufactures custom optics components, was not permitted to resume operations for a period of two weeks in February 2020 due to~~ the outbreak of COVID- 19 ~~, which negatively affected~~ **resulted in a two- week suspension of operations at** our ~~revenues~~ **facility in Fuzhou, the PRC in February 2020 and caused labor shortages** for **us and some of our suppliers and customers in the PRC during** the three months ended March 27, 2020 ~~. In addition~~ , **which negatively affected** ~~we and some of~~ our **revenues** ~~suppliers and customers in the PRC experienced labor shortages~~ during the **same period** ~~three months ended March 27, 2020 due to travel restrictions imposed by the Chinese government~~ . ~~We~~ **Although we** continue to take precautionary measures **,** including leaves of absence for affected employees and their close contacts, stringent contact tracing, **and** enhanced safe distancing measures, ~~and arrangements for the vaccination of our employees in Thailand. Although we did not experience any significant disruptions in our operations or decrease in customer demand during year ended June 24, 2022,~~ any worsening of the **COVID- 19** pandemic **or the emergence of other infectious diseases** may result in more stringent measures being implemented by local authorities, such as shutting down our manufacturing facilities, which would have a significant negative impact on our operations. ~~While we are unable to accurately predict the full impact that COVID- 19 will have on our business, financial condition and operating results due to numerous uncertainties, including the duration and severity of the pandemic as well as related containment measures ordered by government authorities, our compliance with such measures has already impacted our day- to- day operations and could continue to disrupt our business, as well as that of our customers, suppliers and other counterparties, for an indefinite period of time.~~ In addition, increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, Russia' s invasion of Ukraine, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our customers. These events have had, and may continue to have, an adverse impact on the U. S. and world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility of the U. S. and world financial markets also could increase the volatility of the market price of our ordinary shares and may limit the capital resources available to us, our customers and our suppliers. Financial Risks Unfavorable worldwide economic conditions **(including inflation and supply chain disruptions)** may negatively affect our business, financial condition and operating results. The **current** ~~sudden and continuing~~ global economic downturn and ~~uncertainty due to the effects of COVID- 19 and subsequent~~ volatility and adverse conditions in the capital and credit markets have negatively affected levels of business and consumer spending, heightening concerns about the likelihood of a global ~~depression~~ **recession** and potential default of various national bonds and debt backed by individual countries. Such developments, as well as the ~~politics~~ **policies** impacting these, could adversely affect our financial results. In particular, the economic disruption caused by COVID- 19 has led to reduced demand in some of our customers' optical communications product portfolios and significant volatility in global stock markets and currency exchange rates. Uncertainty about worldwide economic conditions poses a risk as businesses may further reduce or postpone spending in response to reduced budgets, tight credit, negative financial news and declines in income or asset values, which could adversely affect our business, financial condition and operating results and increase the volatility of our share price. In addition, our ability to access capital markets may be restricted, which could have an impact on our ability to react to changing economic and business conditions and could also adversely affect our business, financial condition and operating results. ~~Due to the unprecedented and rapidly changing social and global economic impacts associated with COVID-19, we are unable to predict or estimate the ultimate impact of the pandemic on our business, which will depend on, among other things: the extent and duration of the pandemic, the severity of the disease and the number of people infected; the effects on the global economy, including the effects and duration of measures taken by governmental authorities and other third parties restricting day- to- day life and business operations; and the efficacy of governmental programs implemented to assist businesses impacted by the pandemic. At this time, we cannot estimate the short- or long- term impacts of COVID- 19 on our business, financial condition and operating results.~~ Inflation has also risen globally to historically high levels. If the inflation rate continues to increase, the costs of labor and other expenses could also increase. There is no assurance that our revenues will increase at the same rate to maintain the same level of profitability. Inflation and government efforts to combat inflation, such as raising the benchmark interest rate, could increase market volatility and have an adverse effect on the financial market and global economy **. In addition, we expect that disruptions in our supply chain and fluctuations in the availability of parts and materials will continue to have a significant impact on our ability to generate revenue, despite strong demand from our customers** . Such adverse conditions could negatively impact demand for our products, which could adversely affect our business, financial condition and operating results. The loan agreements for our long- term debt obligations and other credit facilities contain financial ratio covenants that may impair our ability to conduct our business. The loan agreements for our long- term and short- term debt obligations contain financial ratio covenants that may limit management' s discretion with respect to certain business matters. These covenants require us to maintain a specified maximum total leverage ratio, minimum debt service coverage ratio (earnings before interest and depreciation and amortization plus cash on hand minus short- term debt), a minimum tangible net worth and a minimum quick ratio, which may restrict our ability to incur additional indebtedness and limit our ability to use our cash. In the event of our default on these loans or a breach of a covenant, the lenders may immediately cancel the loan agreement, deem the full amount of the outstanding indebtedness immediately due and payable, charge us interest on a monthly basis on the full amount of the outstanding indebtedness and, if we cannot repay all of our outstanding obligations, sell the assets pledged as collateral for the loan in order to fulfill our obligation. We may also be held responsible for any damages and related expenses incurred by the lender as a result of any default. Any failure by us or our subsidiaries to comply with these agreements could harm our business, financial condition and operating results. ~~The phase- out of the London Interbank Offered Rate (" LIBOR ") could affect interest rates under our existing credit facility agreement, as well as our ability to seek future debt financing. LIBOR is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rates on loans globally. We generally use LIBOR as a reference rate to calculate interest rates under our credit facility agreement. In 2017, the U. K.' s Financial Conduct Authority (" FCA"), which regulates LIBOR, announced that it intended to phase out LIBOR by the end of 2021. On March 5, 2021, the FCA announced the dates on which the panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available. The FCA confirmed that all LIBOR settings will cease to be provided by any administrator or no longer be representative as follows: immediately after December 31, 2021, in the case of all GBP, EUR, CHF and JPY settings, and the 1- week and 2- month USD settings; and immediately after June 30, 2023, in the case of the remaining USD settings. The U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U. S. financial institutions, has identified replacing USD LIBOR with a new index, the Secured Overnight Financing Rate, calculated using short- term repurchase agreements backed by Treasury securities. In response to the announcement by the FCA on the future cessation and loss of representativeness of LIBOR benchmark, the International Swaps and Derivatives Association (" ISDA") issued a statement on March 5, 2021 confirming that the FCA' s announcement constitutes an index cessation event under IBOR Fallbacks and Supplements and the ISDA 2020 Fallbacks Protocol for all 35 LIBOR settings. As a result, the fallback spread adjustments were fixed as of the date of the announcement. The fallbacks will automatically occur for outstanding derivatives contracts that incorporate the IBOR Fallbacks Supplement or are subject to the ISDA 2020 Fallbacks Protocol immediately after December 31, 2021 for outstanding derivatives referenced to all EUR, GBP, CHF and JPY LIBOR settings, and June 30, 2023 for outstanding derivatives referenced to all USD LIBOR settings. We have adhered to the ISDA 2020 IBOR Fallbacks Protocol since January 2021 for outstanding interest rate swap agreements which we have with banks with interest rates referenced to 1- month USD LIBOR and 3- month USD LIBOR settings; therefore, the fallbacks will automatically occur immediately after June 30, 2023 as described above. The new rates may not be as favorable to us as those in effect prior to any LIBOR phase- out. In addition, the transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, may result in expenses, difficulties, complications or delays in connection with future financing efforts, which could have a material adverse impact on our business, financial condition and operating results.~~ We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our shareholders. We anticipate that our current cash and cash equivalents, together with cash provided by operating activities and funds available through our working capital and credit facilities, will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. However, we operate in a market that makes our prospects difficult to evaluate. It is possible that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs. If this occurs, we may need additional financing to execute on our current or future business strategies. Furthermore, if we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders could be significantly diluted, and these newly- issued securities may have rights, preferences or privileges senior to those of existing shareholders. If adequate additional funds are not available or are not available on acceptable terms, if and when needed, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our manufacturing services, hire additional technical and other personnel, or otherwise respond to competitive pressures could be significantly limited. Our investment portfolio may become impaired by deterioration of the capital markets. We use professional investment management firms to manage our excess cash and cash equivalents. Our short- term investments as of June ~~24~~ **30** , ~~2022~~ **2023** are primarily investments in a fixed income portfolio, including liquidity funds, certificates of deposit and time deposits, corporate debt securities, and U. S. agency and U. S. Treasury securities. Our investment portfolio may become impaired by deterioration of the capital markets. We follow an established investment policy and set of guidelines to monitor and help mitigate our exposure to interest rate and credit risk. The policy sets forth credit quality standards and limits our exposure to any one issuer, as well as our maximum exposure to various asset classes. The policy also provides that we may not invest in short- term investments with a maturity in excess of three years.

Should financial market conditions worsen, investments in some financial instruments may pose risks arising from market liquidity and credit concerns. In addition, any deterioration of the capital markets could cause our other income and expense to vary from expectations. As of June ~~24~~ **30** , ~~2022~~ **2023** , we did not record any impairment charges associated with our portfolio of short- term investments, and although we believe our current investment portfolio has little risk of material impairment, we cannot predict future market conditions or market liquidity, or credit availability, and can provide no assurance that our investment portfolio will remain materially unimpaired. We are not fully insured against all potential losses. Natural disasters or other catastrophes could adversely affect our business, financial condition and operating results. Our current property and casualty insurance covers loss or damage to our property and third- party property over which we have custody and control, as well as losses associated with business interruption, subject to specified exclusions and limitations such as coinsurance, facilities location sub- limits and other policy limitations and covenants. Even with insurance coverage, natural disasters or other catastrophic events, including acts of war, could cause us to suffer substantial losses in our operational capacity and could also lead to a loss of opportunity and to a potential adverse impact on our relationships with our existing customers resulting from our inability to produce products for them, for which we might not be compensated by existing insurance. This in turn could have a material adverse effect on our business, financial condition and operating results. There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with U. S. GAAP. Any changes in estimates, judgments and assumptions could have a material adverse effect on our business, financial condition and operating results. The preparation of financial statements in accordance with U. S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our business, financial condition and operating results. Intellectual Property and Cybersecurity Risks Our business and operations would be adversely impacted in the event of a failure of our information technology infrastructure and / or cyber security attacks. We rely upon the capacity, availability and security of our information technology hardware and software infrastructure. For instance, we use a combination of standard and customized software platforms to manage, record, and report all aspects of our operations and, in many instances, enable our customers to remotely access certain areas of our databases to monitor yields, inventory positions, work- in- progress status and vendor quality data. We are constantly expanding and updating our information technology infrastructure in response to our changing needs. Any failure to manage, expand and update our information technology infrastructure or any failure in the operation of this infrastructure could harm our business. Despite our implementation of security measures, our systems are vulnerable to damage caused by computer viruses, natural disasters, unauthorized access and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. To the extent that any disruption, cyber- attack or other security breach results in a loss or damage to our data or inappropriate disclosure of confidential information, our business could be harmed. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future. Intellectual property infringement claims against our customers or us could harm our business, financial condition and operating results. Our services involve the creation and use of intellectual property rights, which subject us to the risk of intellectual property infringement claims from third parties and claims arising from the allocation of intellectual property rights among us and our customers. Our customers may require that we indemnify them against the risk of intellectual property infringement arising out of our manufacturing processes. If any claims are brought against us or our customers for such infringement, whether or not these claims have merit, we could be required to expend significant resources in defense of such claims. In the event of an infringement claim, we may be required to spend a significant amount of time and money to develop non- infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all, which could harm our business, financial condition and operating results. Any failure to protect our customers' intellectual property that we use in the products we manufacture for them could harm our customer relationships and subject us to liability. We focus on manufacturing complex optical products for our customers. These products often contain our customers' intellectual property, including trade secrets and know- how. Our success depends, in part, on our ability to protect our customers' intellectual property. We may maintain separate and secure areas for customer proprietary manufacturing processes and materials and dedicate floor space, equipment, engineers and supply chain management to protect our customers' proprietary drawings, materials and products. The steps we take to protect our customers' intellectual property may not adequately prevent its disclosure or misappropriation. If we fail to protect our customers' intellectual property, our customer relationships could be harmed **,** and we may experience difficulty in establishing new customer relationships. In addition, our customers might pursue legal claims against us for any failure to protect their intellectual property, possibly resulting in harm to our reputation and our business, financial condition and operating results. Tax, Compliance and Regulatory Risks We are subject to the risk of increased income taxes, which could harm our business, financial condition and operating results. We are subject to income and other taxes in Thailand, the PRC, the U. K., the U. S. and Israel. Our effective income tax rate, provision for income taxes and future tax liability could be adversely affected by numerous factors, including the results of tax audits and examinations, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in income tax rates, changes in the valuation of deferred tax assets and liabilities, failure to meet obligations with respect to tax exemptions, and changes in tax laws and regulations. From time to time, we engage in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. As of June ~~24~~ **30** , ~~2022~~ **2023** , our U. S. federal and state tax returns remain open to examination for the tax years 2018 through ~~2020~~ **2021** . In addition, tax returns that remain open to examination in Thailand, the PRC, the U. K. and Israel range from the tax years ~~2015~~ **2016** through ~~2021~~ **2022** . The results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures may have an adverse effect on our provision for income taxes and tax liability ~~.~~

~~For example, in connection with the conclusion of the audit of our U. S. federal and state tax returns for the tax years 2016 and 2017, we incurred additional taxes, interest and penalties~~ . We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by tax authorities and to possible changes in law, which may have retroactive effect. Fabrinet (the " Cayman Islands Parent ") is an exempted company incorporated in the Cayman Islands. We maintain manufacturing operations in Thailand, the PRC, the U. ~~K. and the U.~~ S **. and Israel** . We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes. Under the current laws of the Cayman Islands, we are not subject to tax in the Cayman Islands on income or capital gains until March 6, 2039. Preferential tax treatment from the Thai government in the form of a corporate tax exemption on income generated from projects to manufacture certain products at our Chonburi campus is available to us through June 2026. Similar preferential tax treatment was available to us through June 2020 with respect to products manufactured at our Pinehurst campus. After June 2020, 50 % of our income generated from products manufactured at our Pinehurst campus will be exempted from tax through June 2025 **. New preferential tax treatment is available to us for products manufactured at our Chonburi campus Building 9, where income generated will be tax exempt through 2031, capped at our actual investment amount** . Such preferential tax treatment is contingent on various factors, including the export of our customers' products out of Thailand and our agreement not to move our manufacturing facilities out of our current province in Thailand for at least 15 years from the date on which preferential tax treatment was granted. We will lose this favorable tax treatment in Thailand unless we comply with these restrictions, and as a result we may delay or forego certain strategic business decisions due to these tax considerations. There is also a risk that Thailand or another jurisdiction in which we operate may treat the Cayman Islands Parent as having a permanent establishment in such jurisdiction and subject its income to tax. If we become subject to additional taxes in any jurisdiction or if any jurisdiction begins to treat the Cayman Islands Parent as having a permanent establishment, such tax treatment could materially and adversely affect our business, financial condition and operating results. Certain of our subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, us and our other subsidiaries in different jurisdictions. For instance, we have intercompany agreements in place that provide for our California and Singapore subsidiaries to provide administrative services for the Cayman Islands Parent, and the Cayman Islands Parent has entered into manufacturing agreements with our Thai subsidiary. In general, related party transactions and, in particular, related party financing transactions, are subject to close review by tax authorities. Moreover, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules that require all transactions with non- resident related parties to be priced using arm' s length pricing principles and require the existence of contemporaneous documentation to support such pricing. Tax authorities in various jurisdictions could challenge the validity of our related party transfer pricing policies. Such a challenge generally involves a complex area of taxation and a significant degree of judgment by management. If any tax authorities are successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could become subject to interest and penalty charges, which may harm our business, financial condition and operating results. Several governments are considering ~~various~~ tax reform proposals that, if enacted, ~~may contain provisions that~~ could increase our tax expense. **The** ~~Further changes in the tax laws of various jurisdictions could arise as a result of the base erosion and profit shifting project undertaken by the Organisation~~ **Organization** for Economic Co- operation and Development ~~, which represents a coalition of~~ **(OECD) announced that it has reached agreement among its** member countries ~~and has recommended changes~~ to ~~numerous long- standing~~ **implement Pillar Two rules, a global minimum** tax ~~principles~~ **at 15 % for certain multinational enterprises** . ~~If implemented by taxing authorities, such changes could have a material adverse effect~~ **Many countries are expected to issue laws and regulations to conform to this regime. We will continue to monitor legislative and regulatory developments to assess the impact** on our business, financial condition and operating results. We have incurred and will continue to incur significant increased costs as a result of operating as a public company, and our management will be required to continue to devote substantial time to various compliance initiatives. The Sarbanes- Oxley Act of 2002, the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, as well as other rules implemented by the SEC and the New York Stock Exchange (" NYSE "), impose various requirements on public companies, including requiring changes in corporate governance practices. These and proposed corporate governance laws and regulations under consideration may further increase our compliance costs. If compliance with these various legal and regulatory requirements diverts our management' s attention from other business concerns, it could have a material adverse effect on our business, financial condition and operating results. The Sarbanes- Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and disclosure controls and procedures quarterly. While we are able to assert in this Annual Report on Form 10- K that our internal control over financial reporting was effective as of June ~~24~~ **30** , ~~2022~~ **2023** , we cannot predict the outcome of our testing in future periods. If we are unable to assert in any future reporting periods that our internal control over financial reporting is effective (or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which would have an adverse effect on our share price. Given the nature and complexity of our business and the fact that some members of our management team are located in Thailand while others are located in the U. S., control deficiencies may periodically occur. While we have ongoing measures and procedures to prevent and remedy control deficiencies, if they occur there can be no assurance that we will be successful or that we will be able to prevent material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Moreover, if we identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses in future periods, the market price of our ordinary shares could decline and we could be subject to potential delisting by the NYSE and review by the NYSE, the SEC, or other regulatory authorities, which would require us to expend additional financial and management resources. As a result, our shareholders could lose confidence in our financial reporting, which would harm our business and the market price of our ordinary shares. If we are unable to meet regulatory quality standards applicable to our manufacturing and quality processes for the products we manufacture, our business, financial condition and operating results could be harmed. As a manufacturer of products for the optics industry, we are required to meet certain certification standards, including the following: ISO 9001 for Manufacturing Quality Management Systems; ISO 14001 for Environmental Management Systems; TL 9000 for Telecommunications Industry Quality Certification; IATF 16949 for Automotive Industry Quality Certification; ISO 13485 for Medical Devices Industry Quality Certification; AS 9100 for Aerospace Industry Quality Certification; NADCAP (National Aerospace and Defense Contractors Accreditation Program) for Quality Assurance throughout the Aerospace and Defense Industries; ~~and~~ ISO 45001 for Occupational Health and Safety **Management Systems; and ISO 22301 for Business Continuity** Management Systems. We also maintain compliance with various additional standards imposed by the FDA with respect to the manufacture of medical devices. Additionally, we are required to register with the FDA and other regulatory bodies and are subject to continual review and periodic inspection for compliance with various regulations, including testing, quality control and documentation procedures. We hold the following additional certifications: ANSI ESD S20. 20 for facilities and manufacturing process control, in compliance with ESD standard; ~~Transported Asset Protection Association ("~~ TAPA ~~")~~ and ~~Custom Trade Partnership Against Terrorism ("~~ C- TPAT ~~")~~ for Logistic Security Management System; and CSR- DIW for Corporate Social Responsibility in Thailand. In the European Union, we are required to maintain certain ISO certifications in order to sell our precision optical, electro- mechanical and electronic manufacturing services and we must undergo periodic inspections by regulatory bodies to obtain and maintain these certifications. If any regulatory inspection reveals that we are not in compliance with applicable standards, regulators may take action against us, including issuing a warning letter, imposing fines on us, requiring a recall of the products we manufactured for our customers, or closing our manufacturing facilities. If any of these actions were to occur, it could harm our reputation as well as our business, financial condition and operating results. Failure to comply with applicable environmental laws and regulations could have a material adverse effect on our business, financial condition and operating results. The sale and manufacturing of products in certain states and countries may subject us to environmental laws and regulations. In addition, rules adopted by the SEC implementing the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 impose diligence and disclosure requirements regarding the use of " conflict minerals " mined from the Democratic Republic of Congo and adjoining countries in the products we manufacture for our customers. Compliance with these rules has resulted in additional cost and expense, including for due diligence to determine and verify the sources of any conflict minerals used in the products we manufacture, and may result in additional costs of remediation and other changes to processes or sources of supply as a consequence of such verification activities. These rules may also affect the sourcing and availability of minerals used in the products we manufacture, as there may be only a limited number of suppliers offering " conflict free " metals that can be used in the products we manufacture for our customers. Although we do not anticipate any material adverse effects based on the nature of our operations and these laws and regulations, we will need to ensure that we and, in some cases, our suppliers comply with applicable laws and regulations. If we fail to timely comply with such laws and regulations, our customers may cease doing business with us, which would have a material adverse effect on our business, financial condition and operating results. In addition, if we were found to be in violation of these laws, we could be subject to governmental fines, liability to our customers and damage to our reputation, which would also have a material adverse effect on our business, financial condition and operating results. Risks Related to Ownership of Our Ordinary Shares Our share price may be volatile due to fluctuations in our operating results and other factors, including the activities and operating results of our customers or competitors, any of which could cause our share price to decline. Our revenues, expenses and results of operations have fluctuated in the past and are likely to do so in the future from quarter- to- quarter and year- to- year due to the risk factors described in this section and elsewhere in this Annual Report on Form 10- K. In addition to market and industry factors, the price and trading volume of our ordinary shares may fluctuate in response to a number of events and factors relating to us, our competitors, our customers and the markets we serve, many of which are beyond our control. Factors such as variations in our total revenues, earnings and cash flow, announcements of new investments or acquisitions, changes in our pricing practices or those of our competitors, commencement or outcome of litigation, sales of ordinary shares by us or our principal shareholders, fluctuations in market prices for our services and general market conditions could cause the market price of our ordinary shares to change substantially. Any of these factors may result in large and sudden changes in the volume and price at which our ordinary shares trade. Volatility and weakness in our share price could mean that investors may not be able to sell their shares at or above the prices they paid and could **also** impair our ability in the future to offer our ordinary shares or convertible securities as a source of additional capital and / or as consideration in the acquisition of other businesses. Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of our ordinary shares to decline. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management' s attention from other business concerns, which could seriously harm our business. If securities or industry analysts do not publish research or if they publish misleading or unfavorable research about our business, the market price and trading volume of our ordinary shares could decline. The trading market for our ordinary shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If securities or industry analysts stop covering us, or if too few analysts cover us, the market price of our ordinary shares could be adversely impacted. If one or more of the analysts who covers us downgrades our ordinary shares or publishes misleading or unfavorable research about our business, our market price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our ordinary shares could decrease, which could cause the market price or trading volume of our ordinary shares to decline. We may become a passive foreign investment company, which could result in adverse U. S. tax consequences to U. S. investors. Based upon estimates of the value of our assets, which are based in part on the trading price of our ordinary shares, we do not expect to be a passive foreign investment company (" PFIC ") for U. S. federal income tax purposes for the taxable year ~~2022~~ **2023** or for the foreseeable future. However, despite our expectations, we **cannot** guarantee that we will not become a PFIC for the taxable year ~~2022~~ **2023** or any future year because our PFIC status is determined at the end of each year and depends on the composition of our income and assets during such year. If we become a PFIC, our U. S. investors will be subject to increased tax liabilities under U. S. tax laws and regulations as well as burdensome reporting requirements. Our business **and share price** could be negatively affected as a result of activist shareholders. If an activist investor takes an ownership position in our ordinary shares, responding to actions by such activist shareholder could be costly and time- consuming, disrupt our operations and divert the attention of management and our employees. Additionally, perceived uncertainties as to our future direction as a result of shareholder activism or changes to the composition of our board of directors may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us because of any such issues, then our business, financial condition and operating results would be adversely affected. In addition, our share price could experience periods of increased volatility as a result of shareholder activism. Certain provisions in our constitutional documents may discourage our acquisition by a third party, which could limit ~~your~~ - **our shareholders'** opportunity to sell shares at a premium. Our constitutional documents include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change- of-control transactions, including, among other things, provisions that: • establish a classified board of directors; • prohibit our shareholders from calling meetings or acting by written consent in lieu of a meeting; • limit the ability of our shareholders to propose actions at duly convened meetings; and • authorize our board of directors, without action by our shareholders, to issue preferred shares and additional ordinary shares. These provisions could have the effect of depriving our shareholders of an opportunity to sell their ordinary shares at a premium over prevailing market prices by discouraging third parties from seeking to acquire control of us in a tender offer or similar transaction. Our shareholders may face difficulties in protecting their interests because we are incorporated under Cayman Islands law. Our corporate affairs are governed by our amended and restated memorandum and articles of association (" MOA "), by the Companies Law (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are not as clearly established under statutes or judicial precedent as in jurisdictions in the U. S. Therefore, our shareholders may have more difficulty in protecting their interests than would shareholders of a corporation incorporated in a jurisdiction in the U. S., due to the comparatively less developed nature of Cayman Islands law in this area. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non- Cayman Islands companies. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures. In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three- fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting convened for that purpose. The convening of the meeting and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. A dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved. When a takeover offer is made and accepted by holders of 90. 0 % of the shares within four months, the offeror may, within a two- month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion. If the arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of a corporation incorporated in a jurisdiction in the U. S., providing rights to receive payment in cash for the judicially determined value of the shares. This may make it more difficult for our shareholders to assess the value of any consideration they may receive in a merger or consolidation or to require that the offeror give them additional consideration if they believe the consideration offered is insufficient. Shareholders of Cayman Islands exempted companies have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have discretion under our MOA to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for our shareholders to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest. Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors. Certain judgments obtained against us by our shareholders may not be enforceable. The Cayman Islands Parent is a Cayman Islands exempted company and substantially all of our assets are located outside of the U. S. Given our domicile and the location of our assets, it may be difficult to enforce in U. S. courts judgments obtained against us in U. S. courts based on the civil liability provisions of the U. S. federal securities laws. In addition, there is uncertainty as to whether the courts of the Cayman Islands, Thailand or the PRC would recognize or enforce judgments of U. S. courts against us predicated upon the civil liability provisions of the securities laws of the U. S. or any state. In particular, a judgment in a U. S. court would not be recognized and accepted by Thai courts without a re- trial or examination of the merits of the case. In addition, there is uncertainty as to whether such Cayman Islands, Thai or PRC courts would be competent to hear original actions brought in the Cayman Islands, Thailand or the PRC against us predicated upon the securities laws of the U. S. or any state. General Risks Energy price volatility may negatively impact our business, financial condition and operating results. We, along with our suppliers and customers, rely on various energy sources in our manufacturing and transportation activities. Energy prices have been subject to increases and general volatility caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events and government regulations. While we are currently experiencing lower energy prices, a significant increase is possible, which could increase our raw material and transportation costs. In addition, increased transportation costs of our suppliers and customers could be passed along to us. We may not be able to increase our prices to adequately offset these increased costs, and any increase in our prices may reduce our future customer orders, which could harm our business, financial condition and operating results.