fabrinet®

NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS

Annual Meeting Date: Thursday, December 15, 2016
Time: 9:00 a.m., Pacific time
Location: Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304

Proxy

Meeting Agenda

1. Elect two Class I directors listed in the accompanying Proxy Statement and recommended by our Board of Directors to serve for a term of three years, or until their respective successors have been duly elected and qualified;
2. Hold an advisory vote to approve the compensation paid to our named executive officers;
3. Ratify the appointment of PricewaterhouseCoopers ABAS Ltd. as Fabrinet's independent registered public accounting firm for Fabrinet's fiscal year ending June 30, 2017; and
4. Transact such other business as may properly come before the meeting, or any adjournment or postponement thereof.

These items of business are more fully described in the proxy statement accompanying this notice. Any action on the items of business described above may be considered at Fabrinet's 2016 Annual Meeting of Shareholders (the "Annual Meeting") at the time and on the date specified above, or at any time and date to which the meeting may be properly adjourned or postponed.

Record Date

Only shareholders of record at the close of business on October 17, 2016, are entitled to notice of and to vote at the Annual Meeting, and at any postponements or adjournments of the meeting.

Voting

Your vote is very important. Even if you plan to attend the Annual Meeting in person, we encourage you to read the proxy statement and to vote as quickly as possible, to ensure your vote is recorded. For specific instructions on how to vote your shares, please follow the procedures outlined in your Notice of Internet Availability of Proxy Materials, or refer to the section of the proxy statement entitled "Questions and Answers About the Annual Meeting and Procedural Matters."

Thank you for your ongoing support of Fabrinet.

By order of the Board of Directors,

/s/ David T. Mitchell

David T. Mitchell
Chief Executive Officer and Chairman of the Board of Directors

Grand Cayman, Cayman Islands
October 21, 2016

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on Thursday, December 15, 2016
The proxy statement and 2016 Annual Report to Shareholders are available at www.proxyvote.com.

PROXY STATEMENT

FOR 2016 ANNUAL MEETING OF SHAREHOLDERS

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2016 PROXY STATEMENT SUMMARY

2016 Annual Meeting

Date:	Thursday, December 15, 2016
Time:	9:00 a.m., Pacific time
Location:	Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304
Record Date:	October 17, 2016
Voting:	Shareholders as of the record date are entitled to vote. Each ordinary share is entitled to one vote for each director nominee and one vote for each of the other matters properly presented at the Annual Meeting. At the close of business on the record date, there were 36,778,321 ordinary shares outstanding and entitled to vote at the Annual Meeting.
Admission to Meeting:	You are invited to attend the Annual Meeting if you were a shareholder of record or a beneficial owner as of the record date. You should bring photo identification for entrance to the Annual Meeting. The meeting will begin promptly at 9:00 a.m., Pacific time, and you should leave ample time for the check-in procedures. Shareholders may request directions to the offices of Wilson Sonsini Goodrich & Rosati by calling (650) 493-9300.

Matters to Be Voted on at the Annual Meeting

Matter		Board Recommendation	Page Reference for More Information
Proposal 1:	Election of two Class I directors	**FOR** each nominee	Page 10
Proposal 2:	Annual advisory vote to approve named executive officer compensation	**FOR**	Page 15
Proposal 3:	Ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as Fabrinet's independent auditor for fiscal 2017	**FOR**	Page 16

Business and Financial Highlights

Fiscal 2016 capped another year of significant growth for Fabrinet, driven by a combination of momentum in the optical industry, growing contributions from new customers, and increasing demand for our advanced packaging and precision assembly capabilities. For fiscal 2016, we reported record annual revenue of approximately $976.7 million, an increase of 26% from fiscal 2015. The following table illustrates our fiscal 2016 results in terms of revenue, net income, net income per diluted share and fiscal-end closing share price relative to fiscal 2015:

	Fiscal 2016(1)	Fiscal 2015	% Change
Revenue	$976.7 million	$773.6 million	26%
Net income	$61.9 million	$43.6 million	42%
Net income per diluted share	$1.68	$1.21	39%

	Fiscal 2016(1)	Fiscal 2015	% Change
Non-GAAP net income(2)	$77.7 million	$56.4 million	38%
Non-GAAP net income per diluted share(2)	$2.11	$1.57	34%
Closing share price (on last trading day of fiscal year)	$34.97	$19.86	76%

(1) Please see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended June 24, 2016 (filed with the Securities and Exchange Commission on August 17, 2016), for a more detailed discussion of our fiscal 2016 financial results.
(2) Please refer to Annex A for a reconciliation of this non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with generally accepted accounting principles in the United States ("GAAP").

In addition, we established Fabrinet West, Inc. as a new product introduction ("NPI") center in the heart of Silicon Valley and began construction of a new manufacturing facility at our campus in Chonburi, Thailand. Fabrinet West serves as a business development arm with an emphasis on new business generation and eventual transfer of the manufacturing process to Thailand after NPI. Equipped with state-of-the-art surface mount and advanced optical packaging technologies and infrastructure, and with close proximity to a large portion of our customer base, this center helps to accelerate customer NPI and provides seamless access and future transfer to our low-cost manufacturing base in Thailand.

Executive Compensation Program Highlights

Our executive compensation program is designed to be heavily weighted towards compensating our executives based on company performance. To that end, we have implemented executive compensation policies and practices that reinforce our pay-for-performance philosophy and align with commonly viewed best practices and sound governance principles. The following chart summarizes these policies and practices:

What We Do

- ✓ Pay-for-performance, with significant portion of compensation at risk
- ✓ Caps on performance-based incentive compensation
- ✓ Multi-year performance periods (*new in fiscal 2017*)
- ✓ Clawback on cash and equity incentive compensation (*new in fiscal 2017*)
- ✓ Share ownership guidelines for executive officers and directors
- ✓ 100% independent directors on the Compensation Committee
- ✓ Independent compensation consultant engaged by the Compensation Committee
- ✓ Annual review and approval of our compensation strategy
- ✓ Engagement with shareholders
- ✓ Annual shareholder advisory vote on executive compensation

What We Don't Do

- × No targeting specific percentiles
- × No guaranteed bonus
- × No changing of multi-year targets after they are set
- × No repricing or buyouts of equity awards
- × No share "recycling"
- × No short sales, hedging, or pledging of our ordinary shares
- × No transactions involving derivatives of our ordinary shares

Fiscal 2016. Our fiscal 2016 executive compensation program used key performance measures (revenue and non-GAAP EPS) to link executive compensation with Fabrinet's performance.

- More than half of the total compensation (60% for CEO, 57% for COO and 54% for CFO) was variable and performance-based, and a substantial portion (60% for CEO, 38% for COO and 47% for CFO) was equity-based.
- Challenging performance goals established at the beginning of fiscal 2016 determined payouts under cash- and equity-based incentive compensation plans following the completion of fiscal 2016.
- A mix of long-term and short-term compensation components align executive interests with shareholders and serve to attract, retain and motivate executives.

Fiscal 2017 Updates. As discussed in more detail in the section titled "Executive Compensation—Compensation Discussion and Analysis," approximately 28% of the votes cast at our 2015 annual meeting of shareholders were in favor of the advisory vote on executive compensation. Taking into account the results of such advisory vote and feedback received from shareholders during 2016, the Compensation Committee made the following changes to our fiscal 2017 executive compensation program:

- Granted performance share units (PSUs) with challenging two-year performance targets;
- Increased the annual base salaries of our CEO (by 29%), COO (by 20%) and CFO (by 20%), following a fiscal year in which they had not received raises;
- Increased the target, but decreased the maximum, amount that may become payable to each of our executive officers under our fiscal 2017 cash-based incentive plan;
- Amended agreements with our CEO, COO and CFO to limit vesting acceleration provisions to equity-based awards granted prior to August 2016 (except for restricted share units granted in August 2016 that were based on fiscal 2016 performance);
- Adopted a compensation clawback policy; and
- Adopted an executive perquisite policy that excludes non-business, travel-related expenses and charitable contributions.

fabrinet®

c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

PROXY STATEMENT
FOR 2016 ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is being provided to holders of ordinary shares of Fabrinet at the close of business on the record date (October 17, 2016) in connection with the solicitation of proxies by Fabrinet's Board of Directors for use at Fabrinet's 2016 Annual Meeting of Shareholders, and any postponements, adjournments or continuations thereof (the "Annual Meeting"), for the purpose of considering and acting upon the matters set forth in this proxy statement and the accompanying notice. The Annual Meeting will be held on Thursday, December 15, 2016, at the offices of Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304, commencing at 9:00 a.m., Pacific time.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND PROCEDURAL MATTERS

Q: Can I attend the Annual Meeting?

A: You are invited to attend the Annual Meeting if you were a shareholder of record or a beneficial owner as of October 17, 2016 (the "Record Date"). You should bring photo identification for entrance to the Annual Meeting. The meeting will begin promptly at 9:00 a.m., Pacific time, and you should leave ample time for the check-in procedures. Shareholders may request directions to the offices of Wilson Sonsini Goodrich & Rosati by calling (650) 493-9300.

Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A: In accordance with rules adopted by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials over the Internet. Accordingly, we began sending a Notice of Internet Availability of Proxy Materials (the "Notice") to our shareholders of record and beneficial owners on or about October 21, 2016.

All shareholders will be able to access the proxy materials on the website referred to in the Notice, or to request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy can be found in the Notice. In addition, shareholders may request the proxy materials be sent by mail or email on an ongoing basis. Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to you, and will reduce the impact of our annual meetings on the environment.

Q: What proposals will be voted on at the Annual Meeting?

A: The proposals scheduled to be voted on at the Annual Meeting are:

- The election of two Class I directors recommended by our Board of Directors to serve for a term of three years or until their respective successors have been duly elected and qualified;
- An advisory vote to approve the compensation paid to our named executive officers; and

- The ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as our independent registered public accounting firm for our fiscal year ending June 30, 2017.

Q: What is the voting requirement to approve each of the proposals and how are votes counted?

A: A plurality of the votes cast is required for the election of directors (Proposal One). You may vote "FOR" or "WITHHOLD" on the nominee for election as director. The nominee for director receiving the highest number of affirmative votes will be elected as a director. Abstentions and broker non-votes will not affect the outcome of the election. However, as set forth under "Corporate Governance –Majority Voting Policy in Uncontested Elections," we have a policy that if a director receives more "Withhold" votes than "For" votes in an uncontested election such as this one, the director is expected to tender his or her resignation for consideration by the Nominating & Corporate Governance Committee and our Board of Directors.

The affirmative vote of a majority of the votes cast is required (1) to approve, on an advisory basis, the compensation paid to our named executive officers (Proposal Two), and (2) to ratify the appointment of PricewaterhouseCoopers ABAS Ltd. as our independent registered public accounting firm for our fiscal year ending June 30, 2017 (Proposal Three). You may vote "FOR," "AGAINST" or "ABSTAIN" on these proposals. Abstentions have the same effect as votes against these proposals. However, broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of voting results on these proposals.

All shares entitled to vote and represented by properly submitted proxies received prior to the Annual Meeting (and not revoked) will be voted at the Annual Meeting in accordance with the instructions indicated by such proxy. If no instructions are indicated on such proxy, the shares represented by that proxy will be voted as recommended by our Board of Directors.

Q: How does the Board of Directors recommend that I vote?

A: The Board of Directors recommends that you vote your shares:

- "**FOR**" each of the two nominees recommended by our Board of Directors for election as Class I directors (Proposal One);
- "**FOR**" the approval, on an advisory basis, of the compensation paid to our named executive officers (Proposal Two); and
- "**FOR**" the ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as our independent registered public accounting firm for our fiscal year ending June 30, 2017 (Proposal Three).

Q: How many shares must be present or represented to conduct business at the Annual Meeting?

A: The presence of the holders of at least one-third of the total shares entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Such shareholders are counted as present at the meeting if (1) they are present in person at the Annual Meeting or (2) have properly submitted a proxy.

Abstentions and broker "non-votes" are counted as present and entitled to vote and are, therefore, included for the purposes of determining whether a quorum is present at the Annual Meeting.

A broker "non-vote" occurs when a nominee holding shares for a beneficial owner has not received voting instructions from the beneficial owner, and the broker does not have, or declines to exercise, discretionary authority to vote those shares.

Q: Who is entitled to vote at the Annual Meeting?

A: You may vote your Fabrinet ordinary shares if our records show that you owned your shares at the close of business on the Record Date. At the close of business on the Record Date, there were 36,778,321 ordinary shares outstanding and entitled to vote at the Annual Meeting. You may cast one vote for each ordinary share held by you as of the Record Date on all matters presented.

Q: How can I vote my shares in person at the Annual Meeting?

A: Shares held in your name as the shareholder of record may be voted in person at the Annual Meeting. Shares held beneficially in street name may be voted in person at the Annual Meeting only if you obtain a "legal proxy" from the broker, bank or nominee that holds your shares giving you the right to vote the shares. **Even if you plan to attend the Annual Meeting, we recommend you also submit your vote as described in the Notice and as described below, so your vote will be counted even if you later decide not to attend the meeting**.

Q: How can I vote my shares without attending the Annual Meeting?

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. If you are a shareholder of record, you may vote by submitting a proxy; please refer to the voting instructions in the Notice or below. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank or nominee; please refer to the voting instructions provided to you by your broker, bank or nominee.

By Internet—Shareholders of record with Internet access may submit proxies until 11:59 p.m., Eastern time, on December 14, 2016, by following the "Vote by Internet" instructions described in the Notice, or by following the instructions at www.proxyvote.com. Most Fabrinet shareholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their brokers, trustees or nominees. If you are a beneficial owner, please check the voting instructions provided by your broker, trustee or nominee for information regarding Internet voting availability.

By telephone—Depending on how your shares are held, you may be able to vote by telephone. If this option is available to you, you will have received information with the Notice or the voting instructions provided by your broker, bank or nominee explaining this procedure.

By mail—Shareholders of record may request a paper proxy card from Fabrinet and indicate their vote by completing, signing and dating the card where indicated and by returning it in the prepaid envelope that will be included with the proxy card. Please follow the procedures outlined in the Notice to request a paper proxy card.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: *Shareholder of Record.* If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, you are considered the "shareholder of record" with respect to those shares, and we have sent the Notice directly to you. As a shareholder of record, you have the right to grant your voting proxy directly to us or to a third party, or to vote in person at the Annual Meeting.

Beneficial Owner. If your shares are held in a brokerage account or by a bank or nominee, you are considered the "beneficial owner" of shares held in "street name," and the Notice is being forwarded to you by your broker, bank or nominee (who is considered the shareholder of record with respect to those shares). As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares. Your broker, bank or nominee has enclosed or provided voting instructions for you to use in directing the broker, bank or nominee how to vote your shares. You are also invited to attend the Annual Meeting. However, because you are not the shareholder of record, you may not vote your shares in person at the Annual Meeting unless you obtain a "legal proxy" from your broker, bank or nominee giving you the right to vote the shares at the Annual Meeting.

If you hold your shares through a broker and do not provide your broker with specific voting instructions, your broker will have the discretion to vote your shares only on routine matters. As a result:

- Your broker will not have the authority to exercise discretion to vote your shares with respect to the election of directors and the advisory vote to approve the compensation paid to our named executive officers because the rules of The New York Stock Exchange ("NYSE") treat those matters as non-routine; but

- Your broker will have the authority to exercise discretion to vote your shares with respect to the ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as Fabrinet's independent registered public accounting firm for Fabrinet's fiscal year ending June 30, 2017, because NYSE rules treat that matter as routine.

Q: What happens if additional matters are presented at the Annual Meeting?

A: If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named as proxy holders will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any other matters will be raised at the Annual Meeting.

Q: Can I change my vote?

A: Subject to any rules your broker, bank or nominee may have, you may change your vote at any time before your proxy is voted at the Annual Meeting.

If you are the shareholder of record, you may change your vote by (1) granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the voting methods described above (and until the applicable deadline for each method), (2) providing a written notice of revocation to our Corporate Secretary, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, CA 94568 prior to your shares being voted, or (3) attending the Annual Meeting and voting in person. Attending the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically request this.

If you are the beneficial owner of shares held in street name, you may change your vote by (1) submitting new voting instructions to your broker, bank or nominee, or (2) attending the Annual Meeting and voting in person if you first have obtained a legal proxy from your broker, bank or nominee giving you the right to vote your shares at the Annual Meeting.

Q: What happens if I decide to attend the Annual Meeting but I have already voted or submitted a proxy card covering my shares?

A: Subject to any rules your broker, bank or nominee may have, you may attend the Annual Meeting and vote in person even if you have already voted or submitted a proxy card. Any previous votes that were submitted by you will be superseded by the vote you cast at the Annual Meeting. Please be aware that attendance at the Annual Meeting will not, by itself, revoke a proxy.

If a broker, bank or nominee beneficially holds your shares in street name and you wish to attend the Annual Meeting and vote in person, you must obtain a legal proxy from the broker, bank or nominee holding your shares that gives you the right to vote the shares.

Q: What should I do if I receive more than one set of voting materials?

A: If you received more than one Notice, voting instruction card or set of proxy materials, your shares are registered in more than one name or brokerage account. Please follow the instructions on each Notice or voting instruction card that you receive, to ensure that all of your shares are voted.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Fabrinet or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, shareholders provide written comments on their proxy cards, which may be forwarded to Fabrinet's management.

Q: Where can I find the voting results of the Annual Meeting?

A: We will announce preliminary voting results at the Annual Meeting. We will also disclose voting results on a Form 8-K filed with the SEC within four business days after the Annual Meeting, which will also be available in the "Investors—Financials—SEC Filings" section of our website at www.fabrinet.com.

Q: Who will bear the cost of soliciting votes for the Annual Meeting?

A: We will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners for their reasonable expenses in forwarding solicitation material to such beneficial owners. Our directors, officers and employees also may solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation.

If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur.

Q: What is the deadline to propose actions for consideration at next year's annual meeting of shareholders or to nominate individuals to serve as directors?

A: You may submit proposals, including recommendations of director candidates, for consideration at future shareholder meetings.

For inclusion in Fabrinet's proxy materials—Shareholders may present proper proposals for inclusion in our proxy statement and for consideration at our next annual meeting of shareholders by submitting their proposals in writing to our Corporate Secretary in a timely manner. In order to be included in the proxy statement for our 2017 annual meeting of shareholders, shareholder proposals must be received by our Corporate Secretary no later than June 23, 2017, and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

To be brought before an annual meeting—In addition, our memorandum and articles of association establish an advance notice procedure for shareholders who wish to present certain matters before an annual meeting of shareholders.

Nominations for the election of directors only can be made (1) by or at the direction of our Board of Directors, or (2) by a shareholder who has delivered written notice to our Corporate Secretary within the Notice Period (as defined below) and who was a shareholder at the time of such notice and as of the record date for such meeting. The notice must contain specified information about the nominees and about the shareholder proposing such nominations.

Our memorandum and articles of association also provide that the only business that may be conducted at an annual meeting is business that is (1) properly brought before the meeting in accordance with our proxy materials with respect to such meeting, (2) properly brought before the meeting by or at the direction of our Board of Directors, or (3) properly brought before the meeting by a shareholder who has delivered written notice to our Corporate Secretary, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, CA 94568 within the Notice Period (as defined below) and who is a shareholder at the time of such notice and as of the record date for such meeting. The notice must contain specified information about the matters to be brought before such meeting and about the shareholder proposing such matters.

The "Notice Period" is defined as that period not less than 45 days nor more than 75 days prior to the one year anniversary of the date on which we first mailed our proxy materials or a notice of availability of proxy materials (whichever is earlier) to shareholders in connection with the preceding year's annual meeting of shareholders. As a result, the Notice Period for the 2017 annual meeting of shareholders will start on August 7, 2017 and end on September 6, 2017.

If a shareholder who has notified us of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, we need not present the proposal for vote at such meeting.

A copy of the full text of the provisions of our memorandum and articles of association discussed above may be obtained by writing to our Corporate Secretary, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, CA 94568, or by accessing Fabrinet's filings on the SEC's website at www.sec.gov.

All notices of proposals by shareholders, whether or not included in our proxy materials, should be sent to our Corporate Secretary, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, CA 94568.

Q: How may I obtain a separate set of proxy materials or the 2016 Annual Report?

A: If you share an address with another shareholder, each shareholder may not receive a separate copy of our proxy materials and 2016 Annual Report. Upon written request we will promptly send a separate copy of our proxy materials and 2016 Annual Report, without charge, to any shareholder at a shared address where a single copy of the documents was delivered. Shareholders may request additional copies of our proxy materials and 2016 Annual Report by contacting our investor relations at IR@fabrinet.com, or writing to Fabrinet, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, CA 94568, Attention: Investor Relations. Shareholders who share an address and receive multiple copies of our proxy materials and 2016 Annual Report can also request to receive a single copy by following the instructions above.

FISCAL YEAR END

This proxy statement provides information about the matters to be voted on at the 2016 Annual Meeting and additional information about the Company and its executive officers and directors. Some of the information is provided as of the end of our 2014, 2015 or 2016 fiscal years, and some information is more recent. Our fiscal years end on the last Friday of June of each calendar year; our 2014 fiscal year ended on June 27, 2014, our 2015 fiscal year ended on June 26, 2015, and our 2016 fiscal year ended on June 24, 2016.

PROPOSAL ONE

ELECTION OF DIRECTORS

General

Our amended and restated memorandum and articles of association provide that the number of our directors will be fixed from time to time by our Board of Directors, but may not consist of more than 15 directors. Our Board of Directors presently consists of five directors who are divided into three classes with overlapping three-year terms as follows:

Class I Directors (Term Expires in 2016)	Class II Directors (Term Expires in 2017)	Class III Directors (Term Expires in 2018)
Dr. Homa Bahrami	Thomas F. Kelly	David T. Mitchell
Rollance E. Olson	Dr. Frank H. Levinson	

Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of shareholders in the year in which that term expires. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

Nominees for Class I Director

Two candidates have been nominated for election as Class I directors at the Annual Meeting for a three-year term expiring in 2019. Upon the recommendation of the Nominating & Corporate Governance Committee, our Board of Directors has nominated Dr. Homa Bahrami and Rollance E. Olson for reelection as Class I directors. Biographical information for each of the nominees is set forth below.

Each nominee has consented to being named in this proxy statement and to serving as a director if elected, and we have no reason to believe any nominee will be unavailable to serve. In the event Dr. Bahrami or Mr. Olson is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who may be proposed by the Nominating & Corporate Governance Committee and designated by the Board of Directors to fill the vacancy.

If you sign your proxy or voting instruction card or vote by telephone or over the Internet, but do not give instructions with respect to the election of directors, your shares will be voted for the two persons recommended by our Board of Directors. If you wish to give specific instructions with respect to the election of directors, you may do so by indicating your instructions on your proxy or voting instruction card, or when you vote by telephone or over the Internet. If you do not give voting instructions to your broker, your broker will not vote your shares on this matter.

Recommendation of the Board of Directors

The Board of Directors recommends a vote "**FOR**" the reelection of Dr. Homa Bahrami and Rollance E. Olson to our Board of Directors.

Biographical Information

The names of the members of our Board of Directors, their ages, their positions with Fabrinet and other biographical information as of October 17, 2016, are set forth below. A discussion of the qualifications, attributes and skills of each of the directors and the director nominee that led our Board of Directors and the Nominating & Corporate Governance Committee to conclude that he or she should serve as a director follows each of the biographies below. There are no family relationships among any of our directors or executive officers.

					Committee Memberships			
Name	Age	Director Since	Position with Fabrinet	Independent	AC	CC	NCGC	Other Public Co. Boards
David T. Mitchell	74	2000	Chief Executive Officer and Chairman of the Board					0
Dr. Homa Bahrami	61	2012	Director (Director Nominee)	✓	✓		Chair	0
Thomas F. Kelly	63	2010	Director	✓	Chair	✓		0
Dr. Frank H. Levinson	63	2001	Director	✓	✓	Chair		1
Rollance E. Olson	73	2004	Lead Independent Director (Director Nominee)	✓			✓	0

AC – Audit Committee CC – Compensation Committee NCGC – Nominating & Corporate Governance Committee

David T. (Tom) Mitchell is our founder and has served as our Chief Executive Officer and Chairman of the Board of Directors since our inception in 2000. Mr. Mitchell also served as our President from 2000 to January 2011. In 1979, Mr. Mitchell co-founded Seagate Technology, a disk drive manufacturing company. Mr. Mitchell served as the president of Seagate Technology from 1983 to 1991. From 1992 to 1995, Mr. Mitchell served as the chief operating officer of Conner Peripherals, a disk drive manufacturing company. From 1995 to 1998, Mr. Mitchell served as the chief executive officer of JTS Corp., a mobile disk drive manufacturing company. During his tenure in the data storage industry, Mr. Mitchell established manufacturing operations in Singapore, Thailand, Malaysia, the PRC and India. Mr. Mitchell was a member of the board of directors of GigOptix, Inc. from June 2012 through July 2013. Mr. Mitchell earned a bachelor of science degree in economics from Montana State University.

Among other skills and qualifications, Mr. Mitchell brings to our Board of Directors extensive knowledge and understanding of Fabrinet's business, operations and employees, having founded Fabrinet and served on our Board of Directors since our inception, as well as more than 30 years of experience in an array of executive management roles within the semiconductor and optoelectronics industries.

Dr. Homa Bahrami has served on our Board of Directors since August 2012. Dr. Bahrami has been a Senior Lecturer at the Haas School of Business, University of California, Berkeley. She is also a Faculty Director of the Center for Executive Education and a Board Member of the Center for Teaching Excellence at the Haas School of Business, where she has served on the faculty since 1986. Dr. Bahrami was a member of the board of directors of FEI Company (acquired by Thermo Fisher Scientific Inc. in 2016) from February 2012 through September 2016, where she served on the audit and compensation committees, and a member of the board of directors of FormFactor, Inc. from 2004 through 2010. Dr. Bahrami earned a bachelor of arts degree with honors in sociology and social administration from Hull University and a master of science degree in industrial administration and a doctor of philosophy degree in organizational behavior from Aston University in the United Kingdom.

Among other skills and qualifications, Dr. Bahrami brings to our Board of Directors experience in organizational design and executive development for global enterprises.

Thomas F. Kelly has served on our Board of Directors since 2010. Mr. Kelly served as chief executive officer and president of Moxie Software, a provider of enterprise social software, from January 2010 to January 2014. From June 2006 to June 2009, he was chairman of the board of MontaVista Software (acquired by Cavium Networks, Inc. in 2009), a provider of Linux-based development software, where he was also chairman, president and chief executive officer from June 2006 to June 2008. From February 2008 to January 2009, he was president and chief executive officer of Epicor Software, an enterprise resource planning software company, where he also served on the board of directors from 2000 to 2009. In 2004 and 2005, Mr. Kelly was with Trident Capital, a venture capital company. From 2001 to 2004, Mr. Kelly was chairman, president and chief executive officer of BlueStar Solutions (acquired by Affiliated Computer Services, Inc. in 2004), an enterprise resource planning software hosting company. From 1998 to 2001, Mr. Kelly was chairman and chief executive officer of Blaze Software, Inc. (acquired by Brokat Infosystems AG in 2001). Prior to that, he served as chief financial officer or chief operating officer at several software and semiconductor companies, including Cirrus Logic, Inc., Frame Technology, Cadence Design Systems, Valid Logic Corporation and Analog Design Tools. Earlier in his career he was with Arthur Anderson & Company. Mr. Kelly was a member of the board of directors of FEI Company (acquired by Thermo Fisher Scientific Inc. in 2016) from September 2003 through September 2016, where he served as chairman of the audit committee. He is also on the Board of Regents of Santa Clara University. Mr. Kelly earned a bachelor of science degree in economics from Santa Clara University.

Among other skills and qualifications, Mr. Kelly brings to our Board of Directors audit and financial reporting expertise as well as managerial and operational experience gained from his service on the audit committees of multiple public companies and his roles at Cadence Design Systems, Cirrus Logic, Frame Technology, Epicor Software, Trident Capital and various emerging growth technology companies.

Dr. Frank H. Levinson has served on our Board of Directors since 2001. Since 2006, Dr. Levinson has served as the managing director of Small World Group, a group primarily involved in investing in and growing small companies. Dr. Levinson served as the chairman of the board of directors and chief technical officer of Finisar Corporation, a provider of fiber optic components and network performance test and monitoring systems, from August 1999 to January 2006, and remained as a director of Finisar until August 2008. From 1988 to 1999, Dr. Levinson served as the chief executive officer of Finisar. From January 1986 to February 1988, Dr. Levinson served as the optical department manager at Raynet, Inc., a fiber optic systems company and, from April 1985 to December 1985, as the chief optical scientist at Raychem Corporation. From January 1984 to July 1984, Dr. Levinson was a member of the technical staff at Bellcore, a provider of services and products to the communications industry. From 1980 to 1983, Dr. Levinson was as a member of the technical staff at AT&T Bell Laboratories. Since July 2014, Mr. Levinson has been a member of the board of directors of Interlink Electronics, Inc., where he currently serves as chairman of the compensation committee and a member of the audit and nominating and governance committees. Dr. Levinson earned a bachelor of science degree in mathematics and physics from Butler University, and a master's degree in astronomy and a doctor of philosophy degree in astronomy from the University of Virginia.

Among other skills and qualifications, Dr. Levinson brings to our Board of Directors executive leadership and management experience in a global organization and semiconductor industry experience, having served as chairman of the board of directors, chief technical officer and chief executive officer of Finisar Corporation.

Rollance E. Olson has served on our Board of Directors since 2004, including as lead independent director since January 2011. From 1986 to 2011, Mr. Olson served as chief executive officer of Parts Depot Inc., a wholesale automotive replacement parts and supplies business in Virginia. From 1980 to 1985, Mr. Olson served as the president of Brake Systems, Inc., and from 1973 to 1980, Mr. Olson served in various positions at Bendix Corporation, an automotive safety brake and control systems company, including as general manager of the Fram/Autolite division, general manager of the Bendix automotive aftermarket division and corporate staff consultant. From 1968 to 1973, Mr. Olson served as a management consultant and project leader with Booz, Allen & Hamilton, a management and technology consultant firm. Mr. Olson's business career started with Honeywell, Inc. in Minneapolis, Minnesota. Mr. Olson also served on the board of directors for several privately

owned retail and technology companies. He served as a board member (9 years) and chairman of the board of the largest automotive aftermarket trade association, and was a guest lecturer at the Darden School of Business (University of Virginia). Mr. Olson earned a bachelor of arts degree from the University of Minnesota.

Among other skills and qualifications, Mr. Olson brings to our Board of Directors executive leadership and management experience gained from his service as chief executive officer of Parts Depot Inc. for more than 25 years.

Proxy

Compensation of Directors

Compensation for Fiscal 2016

The following table presents information regarding the compensation earned or paid in fiscal 2016 to individuals who were members of our Board of Directors at any time during fiscal 2016, and who also were not our employees. We refer to those directors as non-employee directors. Mr. Mitchell does not receive additional compensation for his service as a director.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	Total ($)
Homa Bahrami	67,275	119,993	187,268
Thomas Kelly	79,000	119,993	198,993
Frank Levinson	73,000	119,993	192,993
Rollance Olson	174,000	119,993	293,993
Virapan Pulges(3)	32,750	—	32,750

(1) Reflects the aggregate grant date fair value of the shares in accordance with FASB Accounting Standards Codification Topic 718 ("ASC 718"). The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended June 24, 2016, filed with the SEC on August 17, 2016. These amounts do not correspond to the actual value that will be realized by the directors.

(2) The following table presents the aggregate number of shares underlying unvested stock awards and outstanding options held by each of our non-employee directors as of the end of fiscal 2016.

Name	Aggregate Number of Shares Underlying Unvested Stock Awards	Aggregate Number of Shares Underlying Outstanding Options
Dr. Bahrami	5,161	—
Mr. Kelly	5,161	30,000
Dr. Levinson	5,161	—
Mr. Olson	5,161	—

(3) Mr. Pulges's term of office ended on December 17, 2015, the date of our 2015 annual meeting of shareholders.

Standard Director Compensation Arrangements for Fiscal 2016

During fiscal 2016, non-employee directors received the following cash compensation for their service on our Board of Directors:

- an annual retainer of $49,000;
- $45,000 per year for serving as Chairman of the Board of Directors (applicable only if the chairman is a non-employee director);
- $120,000 per year for serving as lead independent director of our Board of Directors (applicable only if the chairman is an employee director);

- $10,500 per year for each member of the Audit Committee (or $25,500 if such member is the chairperson);
- $6,000 per year for each member of the Compensation Committee (or $13,500 if such member is the chairperson); and
- $5,000 per year for each member of the Nominating & Corporate Governance Committee (or $10,400 if such member is the chairperson).

Non-employee directors also receive the following equity compensation for their service on our Board of Directors:

- upon joining our Board of Directors, an award of restricted share units pro-rated to reflect a value equal to: $120,000, divided by the closing price of Fabrinet's ordinary shares on the NYSE on the date of grant and multiplied by the number of days beginning with the date the director joins our Board of Directors and ending on the day immediately preceding the one year anniversary of the prior year's annual shareholder meeting, divided by 365 days; and
- on the date of each annual shareholder meeting, an award of restricted share units valued at $120,000 based on the closing price of Fabrinet's ordinary shares on the NYSE on the date of each such annual shareholder meeting.

Restricted share units granted to directors generally will vest in full on January 1 following the next annual meeting of shareholders after the date of grant, provided the director continues to serve through such date.

Standard Director Compensation Arrangements for Fiscal 2017

Following the end of fiscal 2016, the cash compensation for serving as lead independent director of our Board of Directors was reduced from $120,000 to $15,000 per year, effective August 15, 2016.

See "Corporate Governance Matters" below for additional information regarding our Board of Directors.

PROPOSAL TWO

ADVISORY VOTE TO APPROVE COMPENSATION PAID TO NAMED EXECUTIVE OFFICERS

General

In accordance with SEC rules, we are providing our shareholders with the opportunity to vote to approve, on an advisory or non-binding basis, the compensation of our named executive officers (or "Named Officers") as disclosed in this proxy statement in accordance with rules of the SEC. This proposal, commonly known as a "say-on-pay" proposal, gives our shareholders the opportunity to express their views on our Named Officers' compensation as a whole. This vote is not intended to address any specific item of compensation or any specific Named Officer, but rather the overall compensation of all of our Named Officers and the compensation philosophy, policies and practices described in this proxy statement. We currently hold our say-on pay vote every year.

While this advisory vote to approve executive compensation is non-binding, it will provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which the Compensation Committee will be able to consider when making future executive compensation decisions. Our Board of Directors and the Compensation Committee value the opinions of shareholders and, to the extent there is any significant vote against the Named Officer compensation as disclosed in this proxy statement, will endeavor to communicate with shareholders to better understand the concerns that influenced the vote, consider those shareholders' concerns and evaluate whether any actions are necessary to address those concerns.

We urge shareholders to read the "Executive Compensation" section of this proxy statement, and in particular the information discussed under the heading "Executive Compensation—Compensation Discussion and Analysis", which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives. We believe that our executive compensation program is working to ensure management's interests are aligned with our shareholders' interests to support long-term value creation. Accordingly, pursuant to Section 14A of the Exchange Act, you are being asked to vote "FOR" the following resolution at the Annual Meeting:

> "RESOLVED, that Fabrinet's shareholders approve, on an advisory basis, the compensation of Fabrinet's named executive officers, as disclosed in Fabrinet's Proxy Statement for the 2016 Annual Meeting of Shareholders pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables, and related narrative disclosures."

Recommendation of the Board of Directors

The Board of Directors recommends a vote "**FOR**" the approval, on an advisory basis, of the compensation paid to our Named Officers.

PROPOSAL THREE

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit Committee has appointed PricewaterhouseCoopers ABAS Ltd. ("PwC") as our independent registered public accounting firm for our fiscal year ending June 30, 2017. Although ratification by shareholders is not required by any applicable legal requirements, our Board of Directors has determined it is desirable to request ratification of this selection by our shareholders. Notwithstanding its selection, the Audit Committee, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of Fabrinet and its shareholders. If our shareholders do not ratify the appointment of PwC, the Audit Committee may reconsider its selection.

A representative of PwC is expected to be present at the meeting, will have the opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to appropriate questions.

Recommendation of the Board of Directors

The Board of Directors recommends a vote "**FOR**" the ratification of the appointment of PricewaterhouseCoopers ABAS Ltd. as Fabrinet's independent registered public accounting firm for the fiscal year ending June 30, 2017.

Accounting Fees

The following table presents fees paid or accrued by Fabrinet for audit and other services rendered by PwC for fiscal 2016 and fiscal 2015.

	Fiscal 2016	Fiscal 2015
Audit Fees(1)	$817,209	$570,356
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$817,209	$570,356

(1) Audit Fees consist of fees for professional services provided in connection with the audit of our annual consolidated financial statements, the review of our quarterly consolidated financial statements, and audit services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years, such as statutory audits, as well as out of pocket expenses.

Pre-Approval of Audit and Non-Audit Services

Pursuant to its charter, the Audit Committee is required to (1) review and approve, in advance, the scope and plans for all audits and audit fees and (2) approve, in advance, all non-audit services to be performed by our independent auditors.

All services and fees of PwC were pre-approved by the Audit Committee.

AUDIT COMMITTEE REPORT

The Audit Committee assists our Board of Directors in fulfilling its responsibilities for oversight of the integrity of our financial statements, our internal accounting and financial controls, our compliance with legal and regulatory requirements, the organization and performance of our internal audit function and the qualifications, independence and performance of our independent registered public accounting firm.

Our management is responsible for establishing and maintaining internal controls and preparing our consolidated financial statements. The independent registered public accounting firm is responsible for auditing the financial statements. It is the responsibility of the Audit Committee to oversee these activities.

The Audit Committee has:

- Reviewed and discussed the audited financial statements with management and with PricewaterhouseCoopers ABAS Ltd., our independent registered public accounting firm;
- Discussed with PricewaterhouseCoopers ABAS Ltd. the matters required to be discussed under the rules adopted by the Public Company Accounting Oversight Board (the "PCAOB"); and
- Received the written disclosures and the letter from PricewaterhouseCoopers ABAS Ltd. required by applicable requirements of the PCAOB regarding PricewaterhouseCoopers ABAS Ltd.'s communications with the Audit Committee concerning independence and has discussed with PricewaterhouseCoopers ABAS Ltd. its independence.

Based upon these discussions and review, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 24, 2016, for filing with the United States Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee of the Board of Directors.

Thomas F. Kelly (Chairman)
Dr. Homa Bahrami
Dr. Frank H. Levinson

CORPORATE GOVERNANCE MATTERS

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines that establish the corporate governance policies our Board of Directors intends to follow in overseeing our business in accordance with its fiduciary duties. The Corporate Governance Guidelines are available in the "Investors—Governance" section of our website at www.fabrinet.com.

Code of Business Conduct

We are committed to maintaining the highest standards of ethical conduct, with business practices and principles of behavior that support this commitment. Accordingly, our Board of Directors has adopted a Code of Business Conduct, which is applicable to all of our directors, officers (including our principal executive officer and senior financial and accounting officers) and employees. The Code of Business Conduct is available in the "Investors—Governance" section of our website at www.fabrinet.com. We will disclose on our website any amendments to the Code of Business Conduct, as well as any waivers, required to be disclosed by SEC or NYSE rules.

Majority Voting Policy in Uncontested Elections

Our Board of Directors endorses the principle of using a majority voting standard for uncontested elections of directors. Accordingly, in an election of directors such as this one, a nominee who receives more "Withhold" votes than "For" votes is expected to promptly tender his or her resignation as a director. The Nominating & Corporate Governance Committee will then consider each tendered director resignation and recommend to our Board of Directors whether to accept or reject it. After considering the recommendation of the Nominating & Corporate Governance Committee and any other information the Board deems appropriate, our Board of Directors will act to accept or reject each tendered director resignation. Any director who tenders a resignation under the majority voting policy may not participate in the Nominating & Corporate Governance Committee's recommendation or the action of our Board of Directors regarding whether to accept or reject such tender of resignation.

Board Leadership Structure

Mr. Mitchell currently serves as chairman of our Board of Directors and as our chief executive officer. Our Corporate Governance Guidelines provide that our Board of Directors will fill the chairman and chief executive officer (CEO) positions based upon what it believes is in our best interests at any point in time. Currently, our Board of Directors does not require separation of the chairman and CEO positions. Our Board of Directors believes that as CEO, Mr. Mitchell is in the best position to direct the focus and attention of our Board of Directors to the areas most relevant for us and our shareholders, as Mr. Mitchell is the most familiar with our business, industry and strategic priorities. By combining the role of chairman and CEO, Mr. Mitchell is able to provide strong and valuable leadership for us both internally and externally.

In addition, our Corporate Governance Guidelines provide that if the CEO also is the chairman, our Board of Directors shall select, at its first regular meeting following each annual shareholder meeting, a lead independent director. Rollance Olson has served as our lead independent director since January 2011. The lead independent director's duties include coordinating the activities of the independent and other non-employee directors, coordinating the agenda for and moderating sessions of the independent and other non-employee directors, and facilitating communications among our entire Board of Directors.

Our independent directors meet in executive session at each regularly scheduled meeting of our Board of Directors, and at such other times as necessary or appropriate as determined by the independent directors. Our lead independent director presides at such executive sessions of our Board of Directors.

Risk Oversight

Our Board of Directors is responsible for the oversight of our enterprise risk management. Together with its committees, our Board of Directors ensures that any material risks relevant to us or our business are appropriately considered and addressed. Our management team is responsible for day-to-day risk management. Management's responsibilities include identifying, evaluating and addressing potential risks that may exist at the enterprise, strategic, financial and operating levels and the development of processes for mitigating these risks, and our Board of Directors, together with its committees, oversees management in its execution of these responsibilities. At periodic meetings of our Board of Directors and board committees, and in other meetings and discussions, our management reports to and seeks guidance from our Board of Directors and its committees, as applicable, with respect to matters that could affect our business. In addition, our legal counsel provides reports of legal risks to the Audit Committee and to our Board of Directors. Similarly, our chief financial officer provides reports to the Audit Committee concerning financial, tax and audit related risks. In addition, the Audit Committee receives periodic reports from management on our compliance programs and efforts, investment policy and practices.

Our Board of Directors reviews the strategic, financial and operational risks inherent in our business through its consideration of the various matters presented to our Board of Directors or its committees by management for review or approval. Furthermore, each board committee regularly reviews and evaluates various aspects of enterprise risk as part of its specific functions and responsibilities delegated by our Board of Directors. The Audit Committee considers risk in connection with its oversight of our financial review and reporting processes and regulatory and corporate compliance matters. In addition, the Audit Committee is responsible for the oversight and review of certain risk management policies, including our insurance, investment and business continuity policies. The Compensation Committee considers risk in connection with its oversight of the design and administration of our compensation policies, plans and programs. The Nominating & Corporate Governance Committee considers risk in connection with its oversight of our governance structure, policies and processes, including conflicts of interest (other than related party transactions reviewed by the Audit Committee).

We believe that our Board of Directors' role is consistent with our leadership structure, with our CEO and management primarily responsible for enterprise risk management, and with our Board of Directors and its committees providing oversight of these efforts.

Contacting our Board of Directors

Shareholders and other interested parties may communicate directly with our lead independent director by sending an email to leadindependentdirector@fabrinet.com. Communications received at this email address are automatically routed directly to our lead independent director. Shareholders and other interested parties who wish to communicate with our Board of Directors may do so by sending an email to board@fabrinet.com or a written communication addressed to Fabrinet, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, California 94568, Attention: Board of Directors. Our legal counsel reviews all incoming communications from shareholders and other interested parties (except for communications sent directly to the lead independent director, mass mailings, product complaints or inquiries, job inquiries, business solicitations and patently offensive or otherwise inappropriate material) and, as appropriate, routes such communications to the appropriate member(s) of our Board of Directors, or if none is specified, to the Chairman of the Board.

Attendance at Annual Meetings of Shareholders by our Board of Directors

Although we do not have a formal policy regarding attendance by members of our Board of Directors at our annual meeting of shareholders, we encourage, but do not require, directors to attend. All of our directors attended our 2015 annual meeting of shareholders.

Director Independence

Our ordinary shares are listed on the NYSE. Pursuant to the NYSE listing standards, independent directors must comprise a majority of our Board of Directors, and each member of our Audit, Compensation, and Nominating & Corporate Governance Committees must be independent. A director will only qualify as an "independent director" if, in the opinion of our Board of Directors, that director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit Committee members also must satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, our Board of Directors, or any other Board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from us or any of our subsidiaries; or (2) be an affiliated person of us or any of our subsidiaries.

Compensation Committee members must satisfy additional independence criteria set forth under the NYSE listing standards. In order for a member of the Compensation Committee to be considered independent, our Board of Directors must consider all factors specifically relevant to determining whether a director has a relationship to us that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (1) the source of compensation of such director, including any consulting, advisory, or other compensatory fee paid by us to such director; and (2) whether such director is affiliated with us, any of or subsidiaries, or an affiliate of any of our subsidiaries.

Our Board of Directors has reviewed the independence of each director and determined that Dr. Bahrami, Mr. Kelly, Dr. Levinson and Mr. Olson, representing four of our five directors, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the NYSE listing standards. In making these determinations, our Board of Directors considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances our Board of Directors deemed relevant.

Board Meetings and Committees

During fiscal 2016, our Board of Directors held twelve meetings and also took certain actions by written consent. Each of our directors attended at least 75% of the meetings of our Board of Directors and the committees on which he or she served during fiscal 2016. Our Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating & Corporate Governance Committee, each of which has the composition and responsibilities described below.

Audit Committee

The Audit Committee currently consists of Mr. Kelly (chairman), Dr. Bahrami and Dr. Levinson, each of whom is independent under the NYSE listing standards and the rules and regulations of the SEC. Our Board of Directors has determined that Mr. Kelly qualifies as an "audit committee financial expert" under the rules and regulations of the SEC and that each member of the Audit Committee meets the financial literacy requirements of the NYSE listing standards. The Audit Committee held four meetings during fiscal 2016.

Among other responsibilities, the Audit Committee (1) oversees our accounting and financial reporting processes and the audit of our financial statements, (2) assists our Board of Directors in overseeing the integrity of our financial statements (including, without limitation, internal control over financial reporting), (3) oversees our compliance with ethics policies and legal and regulatory requirements, (4) oversees the performance of our independent auditors, (5) prepares the disclosure required by applicable law and SEC rules, and (6) provides to

our Board of Directors such information and materials as it may deem necessary to make our Board of Directors aware of significant financial matters that require the attention of our Board of Directors. The Audit Committee acts in accordance with a written charter adopted by our Board of Directors, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

The Audit Committee report is included in this proxy statement on page 17.

Proxy

Compensation Committee

The Compensation Committee currently consists of Dr. Levinson (chairman) and Mr. Kelly, each of whom is independent under the NYSE listing standards and the rules and regulations of the SEC. In addition, our Board of Directors has determined that Dr. Levinson and Mr. Kelly meet the requirements of the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act and the outside director definition of Section 162(m) of the Internal Revenue Code, as amended. The Compensation Committee held four meetings during fiscal 2016 and also took certain actions by written consent.

Among other responsibilities, the Compensation Committee (1) develops, reviews and approves our overall compensation policies and goals, including policies and forms of compensation provided to our directors and executive officers, (2) oversees the administration of our equity compensation and employee benefit plans and programs, and (3) produces an annual report on executive officer compensation for inclusion in our annual proxy statement. The Compensation Committee acts in accordance with a written charter adopted by our Board of Directors, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

The Compensation Committee report is included in this proxy statement on page 36.

Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee currently consists of Dr. Bahrami (chairwoman) and Mr. Olson, each of whom is independent under the NYSE listing standards and the rules and regulations of the SEC. The Nominating & Corporate Governance Committee held four meetings during fiscal 2016 and also took certain actions by written consent.

Among other responsibilities, the Nominating & Corporate Governance Committee (1) assists our Board of Directors in identifying prospective director nominees, (2) recommends candidates for election to our Board of Directors at each annual meeting of shareholders, (3) reviews and recommends updates to our corporate governance principles, as appropriate, (4) reviews and recommends directors to serve on each board committee, (5) oversees the annual evaluation of our Board of Directors and its committees, and (6) monitors and reviews matters related to succession planning for our executives officers. The Nominating & Corporate Governance Committee acts in accordance with a written charter adopted by our Board of Directors, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

The Nominating & Corporate Governance Committee will consider recommendations of candidates for election to our Board of Directors submitted by shareholders of Fabrinet. For more information, see "Process for Recommending Candidates for Election to the Board of Directors" below.

Share Ownership Guidelines

We have adopted share ownership guidelines for our directors and executive officers. For information regarding such guidelines, see the section of this proxy statement entitled "Executive Compensation—Compensation Discussion and Analysis—Share Ownership Guidelines."

Compensation Committee Interlocks and Insider Participation

During fiscal 2016, Dr. Levinson, Mr. Kelly and Mr. Pulges served as members of the Compensation Committee. None of the members of the Compensation Committee is or has in the past served as an officer or employee of Fabrinet. None of our executive officers serves as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Process for Recommending Candidates for Election to the Board of Directors

The Nominating & Corporate Governance Committee is responsible for, among other things, determining the criteria for membership to our Board of Directors, and recommending candidates for election to our Board of Directors. The Nominating & Corporate Governance Committee will consider recommendations from shareholders for candidates to serve on our Board of Directors. There are no differences in the manner by which the Nominating & Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by a shareholder or our Board of Directors.

Shareholder Recommendations and Nominees

Shareholder recommendations for candidates to our Board of Directors must be directed in writing to our Corporate Secretary, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, California 94568, and must include (1) the candidate's name, age, business address and residence address, (2) the candidate's principal occupation or employment, (3) the class and number of shares that are held of record or beneficially owned by the candidate and any derivative positions held or beneficially held by the candidate, (4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the candidate with respect to any of our securities, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of share price changes for, or to increase or decrease the voting power of the candidate, (5) a description of all arrangements or understandings between the nominating shareholder and each candidate and any other person or persons pursuant to which the nominations are to be made by the nominating shareholder, (6) a written statement executed by the candidate acknowledging that as a director, the candidate will owe a fiduciary duty under Cayman Islands law with respect to Fabrinet and its shareholders, and (7) any other information relating to the candidate that would be required to be disclosed about such candidate if proxies were being solicited for the election of the candidate as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including, without limitation, the candidate's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected).

Shareholder recommendations for candidates to our Board of Directors must also contain specified information about the shareholder proposing such nomination. For more information, please refer to our memorandum and articles of association, which may be obtained by writing to our Corporate Secretary, c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, California 94568, or by accessing Fabrinet's filings on the SEC's website at www.sec.gov.

Director Qualifications

The Nominating & Corporate Governance Committee will evaluate and recommend candidates for membership on our Board of Directors consistent with any criteria established by the committee. The consideration of any candidate for director will be based on the committee's assessment of the individual's background, experience, skills and abilities, and if such characteristics qualify the individual to fulfill the needs of our Board of Directors at that time. While the Nominating & Corporate Governance Committee has not established specific minimum qualifications or a formal diversity policy for director candidates, the committee

believes that candidates and nominees should reflect a Board of Directors that is predominately independent and that is comprised of directors who (1) are of high integrity, (2) have broad, business-related knowledge and experience, (3) have qualifications that will increase overall board effectiveness, (4) have diverse backgrounds and perspectives, and (5) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to Audit Committee members.

Identification and Evaluation of Director Nominees

The Nominating & Corporate Governance Committee uses a variety of methods for identifying and evaluating director nominees. The committee assesses the appropriate size and composition of our Board of Directors, the needs of our Board of Directors and board committees and the qualifications of candidates in light of these needs. Candidates may come to the attention of the Nominating & Corporate Governance Committee through shareholders, management, current members of our Board of Directors or search firms. The evaluation of these candidates may be based solely upon information provided to the committee or may also include discussions with persons familiar with the candidate, an interview of the candidate or other actions the committee deems appropriate, including the use of third parties to review candidates.

EXECUTIVE OFFICERS

The names of our executive officers, their ages, their positions with us and other biographical information as of October 17, 2016, are set forth below. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
David T. Mitchell	74	Chief Executive Officer and Chairman of the Board of Directors
Dr. Harpal Gill	63	President and Chief Operating Officer of Fabrinet USA, Inc.; Executive Vice President, Operations of Fabrinet Co., Ltd.
Toh-Seng Ng	62	Executive Vice President, Chief Financial Officer of Fabrinet USA, Inc.
Dr. Hong Q. Hou	52	Executive Vice President, Chief Technical Officer of Fabrinet USA, Inc.

David T. Mitchell. For Mr. Mitchell's biography, please see "Proposal One—Election of Directors—Biographical Information" above.

Dr. Harpal Gill has served as president of Fabrinet USA, Inc. since January 2011, and as chief operating officer of Fabrinet USA, Inc. since March 2009. Dr. Gill also has served as executive vice president, operations of Fabrinet Co., Ltd. since July 2007 and as senior vice president, operations of Fabrinet USA, Inc. from May 2005 to March 2009. From July 2003 to January 2005, Dr. Gill served as vice president of engineering and then senior vice president of engineering for Maxtor Corporation, a disk drive manufacturer. From January 1999 to July 2003, Dr. Gill served as the vice president of engineering for Read Rite Corporation, a supplier of magnetic recording heads for data storage devices. From June 1996 to October 1998, Dr. Gill served as the managing director of JTS Corp., a disk drive manufacturer. Dr. Gill also has held senior management positions with Seagate Technology and Stanton Automation. Dr. Gill earned a bachelor of science degree in mechanical engineering from Brunel University and a doctor of philosophy degree in engineering from the University of Bradford.

Toh-Seng Ng has served as executive vice president and chief financial officer of Fabrinet USA, Inc. since March 2012. Previously, he was senior vice president of finance and managing director of Casix, Inc., our subsidiary in the People's Republic of China, from March 2010 to March 2012, and senior vice president and operations controller of Fabrinet from January 2007 to March 2010. Mr. Ng joined us with nearly 28 years of international financial management experience in the semiconductor and data storage industries. Prior to joining us, Mr. Ng managed financial operations at Magnecomp Precision Plc. in Thailand, Hitachi Global Storage Technologies in San Jose, and Read-Rite Corporation in a series of positions, culminating in his role as corporate controller and vice president of finance. Mr. Ng earned a bachelor of science degree in accountancy from the University of Singapore, and a master of business administration degree in international management from Golden Gate University.

Dr. Hong Q. Hou has served as executive vice president and chief technical officer of Fabrinet USA, Inc. since January 2016. Prior to joining us, Dr. Hou served as the chief operating officer of AXT, Inc., a manufacturer of semiconductor substrates, from June 2015 to January 2016, and as a venture partner at ARCH Venture Partners from January 2015 to June 2015. Prior to that, Dr. Hou served as president, chief executive officer and a member of the board of directors of EMCORE Corporation, a provider of compound semiconductor-based components and subsystems, from 2008 to January 2015. Dr. Hou holds eight U.S. patents and has published more than 200 technical articles. Dr. Hou holds a doctor of philosophy degree in electrical engineering from the University of California at San Diego, and he has completed executive management courses at the Stanford Graduate School of Business.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to our principal executive officer, principal financial officer, and the other individuals included in the "Summary Compensation Table" beginning on page 37. We refer to these individuals as our "Named Officers" in this proxy statement. For fiscal 2016, our Named Officers were:

- David T. Mitchell, Chief Executive Officer ("CEO") and Chairman of the Board of Directors;
- Dr. Harpal S. Gill, President and Chief Operating Officer ("COO") of Fabrinet USA, Inc.; Executive Vice President, Operations of Fabrinet Co., Ltd.;
- Toh-Seng Ng, Executive Vice President, Chief Financial Officer ("CFO") of Fabrinet USA, Inc.;
- Dr. Hong Hou, Executive Vice President, Chief Technical Officer ("CTO") of Fabrinet USA, Inc.; and
- John Marchetti, former Executive Vice President, Chief Strategy Officer ("CSO") of Fabrinet USA, Inc. (Mr. Marchetti's employment terminated with us on December 31, 2015).

Shareholder Engagement and Executive Compensation Program Updates Following 2015 Say-on-Pay Vote

At our 2015 annual meeting of shareholders, approximately 28% of the votes cast in the say-on-pay advisory vote were voted in favor of our executive compensation as disclosed in our 2015 proxy statement. This represented a significant decline compared to the results of our 2014 say-on-pay advisory vote, when approximately 74% of the votes cast were voted in favor of our executive compensation as disclosed in our 2014 proxy statement. In response to the results of our 2015 say-on-pay vote, the Compensation Committee contacted shareholders to understand better their priorities and concerns with respect to our executive pay practices, examined the reports and analyses issued by the principal proxy advisory services, and engaged a proxy advisory firm to advise the Compensation Committee.

During the Summer of 2016, the Compensation Committee solicited the views of institutional investors representing approximately 49% of our outstanding shares and had discussions with and received feedback on our executive compensation practices from investors representing approximately 20% of our outstanding shares, including four of our ten (and nine of our 20) largest shareholders. Dr. Levinson, the Chairman of the Compensation Committee, attended all of these discussions. He was joined by Mr. Kelly, the other member of the Compensation Committee, and Mr. Olson, our lead independent director, for many of the discussions. The feedback received was presented to the Compensation Committee and our Board of Directors. In addition, we conferred with representatives of Institutional Shareholder Services in the Spring of 2016 to discuss our compensation practices. The principal feedback we received from shareholders and the response of the Compensation Committee is noted in the chart below.

Shareholder Concern or Request	Compensation Committee Response
Fiscal 2015 executive compensation appeared excessive and should be based upon and evaluated against an appropriate peer group.	We believe our executive management team is the very best in the electronics manufacturing space, as evidenced by our consistent growth and profitability over the last four years, and we compensate the team accordingly. We believe the compensation paid to our entire executive management team (four persons), when viewed in total, is less than the total compensation paid to the executive management teams of comparable companies.

Shareholder Concern or Request	Compensation Committee Response
	We believe it would be very difficult to replace our executives, especially since our headquarters and manufacturing facilities are located in Thailand. Because of this, we have designed executive compensation packages that we believe are necessary and in the best interest of Fabrinet to retain our executive management team.
Equity awards should include performance-based metrics that span multiple years.	While we granted equity awards following fiscal 2015 and fiscal 2016 that were based, in part, on fiscal 2015 and fiscal 2016 performance, respectively, we introduced performance share units, or PSUs, in fiscal 2017. The PSUs will be earned, if at all, over a 2-year performance period based on company achievement of challenging revenue and gross margin targets. See "*Recent Fiscal 2017 Compensation Decisions*" below for more information.
Incentive compensation should be subject to a clawback.	In October 2016, we adopted a clawback policy applicable to our executive officers. See "*Compensation Recovery Policy*" below for more information.

Recent Fiscal 2017 Compensation Decisions

In light of the results of our 2015 say-on-pay vote and the subsequent feedback we received from shareholders, the Compensation Committee modified some elements of our executive compensation program for fiscal 2017, primarily to enhance the link between executive pay and longer-term company performance, as summarized below. Because the Compensation Committee had approved fiscal 2016 executive compensation prior to our 2015 annual shareholder meeting, the Compensation Committee was unable to consider such shareholder feedback in setting fiscal 2016 executive compensation. Accordingly, the compensation changes we made in response to our 2015 say-on-pay vote will not show up in the "Summary Compensation Table" until we report fiscal 2017 compensation in our 2017 proxy statement.

Compensation Element	Decision	Weighting of Performance Measures
Base salary	• CEO: increased by 29% • COO and CFO: increased by 20% • CTO: no change	N/A
Short-term cash incentive	• CEO: increased target by 90%; decreased maximum by 5% • COO: increased target by 54%; decreased maximum by 23% • CFO: increased target by 88%; decreased maximum by 6% • CTO: increased target by 5%; decreased maximum by 47%	For all NEOs: • 50% revenue • 50% gross margin • eliminated individual performance component

Compensation Element	Decision	Weighting of Performance Measures
Long-term equity incentive	• Granted PSUs with challenging two-year performance and "stretch" performance targets • Equity grants heavily weighted toward performance: 67% PSUs and 33% RSUs	PSUs for all NEOs: • 50% revenue • 50% gross margin

As noted above, the biggest change in our fiscal 2017 compensation program is the introduction of PSUs. The number of PSUs earned and eligible to vest will be determined after a two-year performance period, based 50% on achievement of cumulative fiscal 2017 and fiscal 2018 revenue targets and 50% on achievement of cumulative fiscal 2017 and fiscal 2018 gross margin targets. Any earned PSUs will vest in full on the date the Compensation Committee certifies achievement of the performance criteria.

We also amended agreements with our CEO, COO and CFO to limit the vesting acceleration provisions in those agreements to equity-based awards granted prior to August 2016 (except for restricted share units granted in August 2016 that were based on fiscal 2016 performance). The PSUs we granted in fiscal 2017 are not subject to accelerated vesting under the agreements with our CEO, COO and CFO.

Positive Compensation Practices

We monitor trends and developments in compensation practices to enhance the effectiveness of our compensation philosophy and have adopted the following practices:

- our executive officers' cash and equity incentive compensation is subject to a clawback;
- we employ each of our executive officers "at will";
- we have adopted a practice of granting long-term equity to our executive officers that is based, in part, on Fabrinet achieving financial performance goals, including the introduction of PSUs granted in fiscal 2017 that will be earned over a two-year performance period;
- we maintain share ownership guidelines for our executive officers and directors;
- our employees (including our executive officers) and directors are prohibited from margining, short-selling or pledging our securities, or trading in derivative securities;
- our equity incentive plan prohibits us from instituting any program to reprice or exchange equity awards for awards with a lower exercise price without shareholder approval;
- our equity incentive plan prohibits us from "recycling" shares, which means that any shares subject to a grant are counted against the share limit in the plan and may not subsequently be re-granted, even if the shares are forfeited, expired or exchanged;
- our equity incentive plan provides that all awards are subject to the award recipient's continued employment or other service with the Company and vest over a four-year period, unless otherwise set forth in the award agreement; and
- we hold an annual shareholder advisory vote on executive compensation.

Executive Compensation Program Objectives and Overview

Our executive compensation programs are intended to achieve three fundamental objectives: (1) attract, retain and motivate qualified executives; (2) hold executives accountable for performance; and (3) align executives' interests with the interests of our shareholders. In structuring and designing our executive compensation programs, we are guided by the following basic philosophies:

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

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

We believe each element of our executive compensation program helps us to achieve one or more of our compensation objectives. Taken together, the compensation elements are intended to provide a total compensation package for each Named Officer that is competitive. The table below lists each material element of our executive compensation program and the compensation objective or objectives it is designed to achieve.

Compensation Element	Compensation Objectives Designed to be Achieved
Base salary	• Attract, retain and motivate qualified executives.
Short-term cash incentives	• Align executives' interests with those of shareholders; • Hold executives accountable for our performance; and • Attract, retain and motivate qualified executives.
Long-term equity incentives	• Align executives' interests with those of shareholders; • Hold executives accountable for our performance; and • Attract, retain and motivate qualified executives.
Perquisites and personal benefits	• Attract, retain and motivate qualified executives.
Severance and other benefits upon termination of employment	• Attract, retain and motivate qualified executives.

Role and Authority of the Compensation Committee

The Compensation Committee currently consists of Dr. Levinson (chairman) and Mr. Kelly, each of whom is "independent" within the meaning of NYSE rules. In addition, our Board of Directors has determined that Dr. Levinson and Mr. Kelly meet the requirements of the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act and the outside director definition of Section 162(m) of the Internal Revenue Code, as amended. No Compensation Committee member is a former or current officer or employee of Fabrinet or any of its subsidiaries. The Compensation Committee meets at least quarterly, and members of the Compensation Committee serve at the discretion of our Board of Directors.

The Compensation Committee is responsible for overseeing our compensation policies and goals and administering our equity compensation plans and executive incentive plan, including approving target and actual bonuses under our executive incentive plan. Additionally, the Compensation Committee is responsible for reviewing and approving the compensation of our chief executive officer and other Named Officers. The Compensation Committee's role is detailed in its charter, which is available in the "Investors—Governance" section of our website at www.fabrinet.com.

Pursuant to its charter, the Compensation Committee may delegate its authority to grant awards under the Company's incentive compensation or other equity-based plans, except with respect to awards to executive officers and directors. The Compensation Committee has delegated limited, non-exclusive authority to a committee consisting of our chief executive officer and chief financial officer (the "Equity Award Committee") to grant equity awards under our 2010 Performance Incentive Plan with respect to consultants, new hires and promotions for employees below the level of vice president (and with respect to new hires, for employees who are not expected to shortly thereafter become a vice president or above). In any fiscal year, the Equity Award Committee may grant, in the aggregate, share options and share appreciation rights, restricted share units, restricted shares or other full-value awards covering no more than the number of shares that have been budgeted and approved by the Compensation Committee for such fiscal year. The Equity Award Committee did not take action during fiscal 2016, and the Compensation Committee did not approve a budget of equity awards for the Equity Award Committee for fiscal 2016. The Compensation Committee has not delegated any of its authority with respect to any component of the compensation of our Named Officers.

Role of the Independent Compensation Consultant

The Compensation Committee has the authority, in its sole discretion, to engage the services of outside consultants to assist it in making decisions regarding the establishment of our compensation programs and philosophy. The Compensation Committee also may obtain advice and assistance from internal or external legal, accounting or other advisors. For fiscal 2016, the Compensation Committee retained Compensia, Inc., a national compensation consulting firm, to provide independent compensation consulting services. If requested by the Compensation Committee, a representative of Compensia attends meetings of the Compensation Committee.

Although Fabrinet pays Compensia's fees, Compensia reports directly to the Compensation Committee, and the Compensation Committee retains the authority to hire or fire Compensia and any other consultant or advisor. Compensia does not provide any services to us other than the services provided to the Compensation Committee. The Compensation Committee has assessed the independence of Compensia taking into account, among other things, the factors set forth in Exchange Act Rule 10C-1 and the listing standards of the New York Stock Exchange, and has concluded that no conflict of interest exists with respect to the work that Compensia performs for the Compensation Committee.

During fiscal 2016, Compensia provided the Compensation Committee with a blend of peer group proxy data and other market data, as discussed below, to assist the Compensation Committee in evaluating the competitiveness of our executive compensation and non-employee director compensation programs. Compensia also advised the Compensation Committee on general compensation trends in the industry among similarly situated companies.

Role of Executive Officers in Compensation Decisions

In carrying out its responsibilities, the Compensation Committee works with members of our management team, including our chief executive officer and our chief financial officer. Typically, our management team assists the Compensation Committee in the execution of its responsibilities by providing information on corporate and individual performance and management's perspective and recommendations on compensation matters.

Our chief executive officer typically makes recommendations to the Compensation Committee regarding executive compensation matters. At the request of the Compensation Committee, our chief executive officer and our chief financial officer occasionally participate in meetings of the Compensation Committee, except with respect to decisions involving their own compensation. While the Compensation Committee solicits the recommendations and proposals of our chief executive officer with respect to executive compensation matters, these recommendations and proposals are only one factor in the Compensation Committee's decision-making process.

Fiscal 2016 Peer Group and Other Market Data

To assist the Compensation Committee in evaluating whether our executive compensation practices for fiscal 2016 were competitive and consistent with the Compensation Committee's executive compensation program objectives, Compensia provided the Committee with compensation data (the "Blended Market Data") consisting of an equal blend of (1) proxy statement data from our fiscal 2016 peer group, and (2) proprietary survey data from high-tech companies with annual revenues between $500 million and $1 billion. The Compensation Committee used the Blended Market Data to compare our Named Officers' base salary, target cash incentive opportunity, target total cash compensation, equity compensation and total direct compensation against the 25th, 50th and 75th percentiles of the same categories of compensation for executives holding positions comparable (where possible) to the positions of our Named Officers. However, the Compensation Committee does not benchmark or apply specific formulas to determine adjustments to our Named Officers' base salary, target cash incentive opportunity, target total cash compensation, equity compensation or total direct compensation.

The specific criteria for selection into our peer group are set annually by the Compensation Committee. When our peer group is reviewed each year, companies may be removed for failure to meet the selection criteria, or new companies may be added as necessary to ensure a significant sample size of companies. In selecting a peer group, the Compensation Committee considers companies that, in its view, compete with us for talent and have financial or other organizational metrics generally similar to ours. Accordingly, our peer group includes a blend of businesses classified as providing either optical electronic equipment or contract manufacturing services. The selection criteria for our fiscal 2016 peer group included 12-month trailing revenue, market capitalization, and headcount metrics. Our revenue and our market capitalization were in the 51st and 48th percentiles, respectively, of our fiscal 2016 peer group at the time the Compensation Committee selected the group. Compensia gathered data on the compensation practices of the companies in our fiscal 2016 peer group through publicly available information, where available.

Our fiscal 2016 peer group, as approved by the Compensation Committee, consisted of the following 22 companies:

Fiscal 2016 Peer Group		
Benchmark Electronics, Inc.(1)	Finisar Corporation	Newport Corporation
Black Box Corporation(1)	GSI Group	Oclaro, Inc.(1)
Calix, Inc.(1)	II-VI Incorporated(1)	OSI Systems, Inc.(1)
Ciena Corporation	Infinera Corporation	Plexus Corporation(1)
Coherent, Inc.	Methode Electronics, Inc.	Rofin Sinar Technologies, Inc.
CTS Corporation	MTS Systems	TTM Technologies, Inc.
Daktronics Inc.	Multi-Fineline Electronix, Inc.	
Extreme Networks, Inc.(1)	NETGEAR, Inc.	

(1) Not part of previous fiscal year's peer group.

While part of our fiscal 2015 peer group, Aeroflex Holding Corp. was removed from our fiscal 2016 peer group because it was acquired in September 2014, and FEI Company and IPG Photonics Corporation were removed because their market capitalization exceeded our target screening criteria.

Executive Compensation Program Elements

Base Salaries

We provide a base salary to our executive officers and other employees to compensate them for services rendered on a day-to-day basis. Following the end of each fiscal year, the Compensation Committee typically reviews and determines whether to adjust executive base salaries on the basis of each executive officer's level of responsibility, qualifications, experience, past performance and expected future contributions. The Compensation Committee also considers whether executive base salaries are competitive as compared to salary practices gathered from the Blended Market Data.

In fiscal 2016, the Compensation Committee reviewed the salary component of the Blended Market Data provided by Compensia and considered each executive officer's past performance and expected future contributions, changes in each executive officer's responsibilities and organizational changes. As a result of its review, the Compensation Committee decided to retain the same annual base salaries for fiscal 2016 as compared to fiscal 2015, as shown below.

Named Officer	Fiscal 2015 Annual Base Salary	Fiscal 2016 Annual Base Salary	% Change
Mr. Mitchell	$700,000	$700,000	—
Dr. Gill	$750,000	$750,000	—
Mr. Ng	$500,000	$500,000	—
Dr. Hou(1)	N/A	$475,000	—
Mr. Marchetti	$425,000	$425,000	—

(1) Dr. Hou joined us in January 2016 and, as a result, the base salary determinations that occurred in the beginning of fiscal 2016 did not include him. However, at the time Dr. Hou joined Fabrinet, the Compensation Committee considered Dr. Hou's qualifications and experience and the base salary provided by his previous employer in approving his annual base salary of $475,000.

Short-Term Cash Incentive Awards

In August 2015, the Compensation Committee approved an executive incentive plan for fiscal 2016 (the "Fiscal 2016 Bonus Plan") that provided Mr. Mitchell, Dr. Gill, Mr. Ng and Mr. Marchetti with the ability to receive cash incentive awards based (1) 20% on achievement of individual performance objectives, (2) 40% on Fabrinet's achievement of a fiscal 2016 revenue target of $840 million, and (3) 40% on Fabrinet's achievement of a fiscal 2016 non-GAAP earnings per share target of $1.60, with achievement of individual objectives and each financial target considered independently from the other. In January 2016, the Compensation Committee amended the Fiscal 2016 Bonus Plan to add Dr. Hou as a participant under the plan with the ability to receive a cash incentive award based entirely on achievement of individual performance objectives. For purposes of the Fiscal 2016 Bonus Plan, GAAP earnings per share was adjusted for certain items. Non-GAAP earnings per share excluded share-based compensation expenses, executive separation costs, investigation costs, income related to flooding, expenses related to reduction in workforce, amortization of debt issuance costs, unrealized gain or loss on foreign currency and a one-time cost resulting from a non-recurring warranty charge.

All of our Named Officers were eligible to participate in the Fiscal 2016 Bonus Plan, which provided for a target bonus amount expressed as a percentage of each Named Officer's base salary. The maximum bonus that each Named Officer could have received under the Fiscal 2016 Bonus Plan was two times his target bonus. Any bonus payable to Dr. Hou under the Fiscal 2016 Bonus Plan was subject to pro-ration based on the number of months he was employed by us during fiscal 2016. Achievement of a maximum bonus payout would require significant skill and effort on the part of an executive officer and very high levels of corporate performance that the Compensation Committee believed were possible but unlikely to be achieved. By basing a substantial portion of our executive officers' total cash compensation on achievement of financial goals designed to drive shareholder value, the Fiscal 2016 Bonus Plan was intended to align their interests with the interests of our shareholders.

The Compensation Committee determined the target bonus amount for each Named Officer under the Fiscal 2016 Bonus Plan by considering the Blended Market Data provided by Compensia, evaluated against other criteria, including the Named Officer's functional responsibilities and ongoing duties. For fiscal 2016, the Compensation Committee approved the following target bonus amounts:

Named Officer	Fiscal 2015 Target Bonus (as a % of Base Salary)	Fiscal 2016 Target Bonus (as a % of Base Salary)	% Change
Mr. Mitchell	120%	120%	—
Dr. Gill	95%	95%	—
Mr. Ng	70%	80%	14.3%
Dr. Hou	N/A	80%	—
Mr. Marchetti	65%	40%	(38.5)%

Under the Fiscal 2016 Bonus Plan, if we achieved 100% of a target financial metric, bonuses were payable to our Named Officers (except Dr. Hou, whose bonus was payable based entirely on achievement of individual performance objectives) at 100% of target with respect to that financial metric component. If we achieved 90% of a target financial metric, bonuses were payable to our Named Officers (except Dr. Hou) at 50% of target with respect to that financial metric component. If we achieved 105% or more of a target financial metric, maximum bonuses were payable to our Named Officers (except Dr. Hou) at 200% of target with respect to that financial metric component. Achievement of the financial targets at levels between 90% and 100% and between 100% and 105% would result in a bonus amount that is scaled in a linear fashion. In its sole discretion, the Compensation Committee determined if individual performance objectives had been met and had the ability to award up to 200% of target with respect to that component.

For fiscal 2016, we achieved (1) revenue of $976.7 million, or approximately 116.3% of our fiscal 2016 revenue target, resulting in a bonus that was funded at 200% with respect to that component, and (2) non-GAAP earnings per share of $2.11, or approximately 131.9% of our fiscal 2016 non-GAAP earnings per share target, resulting in a bonus that was funded at 200% with respect to that component. In addition, the Compensation Committee determined that each of Mr. Mitchell, Dr. Gill, Mr. Ng and Dr. Hou achieved certain fiscal 2016 individual performance objectives and decided to fund each of their bonuses at 200%, 200%, 200% and 50%, respectively, with respect to that component. Accordingly, in August 2016, the Compensation Committee awarded bonuses to Mr. Mitchell, Dr. Gill, Mr. Ng and Dr. Hou under the Fiscal 2016 Bonus Plan ranging from 50% to 200% of their respective target bonus. Amounts earned under the Fiscal 2016 Bonus Plan were paid in fiscal 2017. As Mr. Marchetti's employment terminated with us on December 31, 2015, Mr. Marchetti did not receive an award under the Fiscal 2016 Bonus Plan.

The following table describes the target, maximum and actual bonus amounts for each of our Named Officers under the Fiscal 2016 Bonus Plan.

Named Officer	Target Bonus ($)	Target Bonus (as a % of Annual Base Salary)	Maximum Bonus ($)	Maximum Bonus (as a % of Annual Base Salary)	Actual Bonus ($)	Actual Bonus (as a % of Annual Base Salary)	Actual Bonus (as a % of Target Bonus)
Mr. Mitchell	840,000	120%	1,680,000	240%	1,680,000	240%	200%
Dr. Gill	712,500	95%	1,425,000	190%	1,425,000	190%	200%
Mr. Ng	400,000	80%	800,000	160%	800,000	160%	200%
Dr. Hou	190,000(1)	80%	380,000(1)	160%	95,000	20%	50%
Mr. Marchetti	170,000	40%	340,000	80%	—	—	—

(1) Dr. Hou joined us in January 2016. Reflects pro-ration based on the number of months he was employed by us during fiscal 2016. If Dr. Hou had been employed by us for all of fiscal 2016, his target bonus would have been $380,000 and his maximum bonus would have been $760,000.

Long-Term Equity Incentive Awards

Our equity incentive plan is a critical component of the compensation program that we believe incentivizes our executive officers and key employees to focus on building shareholder value through meeting long-term financial and strategic goals. We grant restricted share units ("RSUs") to our executive officers and other employees under our 2010 Performance Incentive Plan. RSUs also function as a retention incentive for our executives as they generally vest annually over a four-year period after the date of grant. Beginning in fiscal 2015, the Compensation Committee adopted a practice of granting RSUs to our executive officers that is based, in part, on Fabrinet achieving a financial performance goal. In fiscal 2016, the Compensation Committee continued this practice, as described below.

The Compensation Committee bases long-term equity incentive award grants to executives on a number of factors, including the Blended Market Data provided by Compensia, the executive's vested and unvested equity holdings, the executive's position and total compensation package, and the executive's contribution to the success of our financial performance.

In August 2015, the Compensation Committee approved a long-term equity plan for fiscal 2016 (the "Fiscal 2016 LTE Plan"), which provided for the grant of non-performance-based RSUs to our Named Officers (except Mr. Marchetti) following the completion of fiscal 2016, the amount of which could be increased based on performance during fiscal 2016, as described below. In January 2016, the Compensation Committee amended the Fiscal 2016 LTE Plan to add Dr. Hou as a participant under the plan. Under the Fiscal 2016 LTE Plan, a minimum dollar value of non-performance-based RSUs would be granted to each Named Officer (except Mr. Marchetti), regardless of our fiscal 2016 revenue results. The minimum number of shares to be granted under each such RSU award would be equal to the minimum dollar value of the participant's award, divided by the fair market value per share of our ordinary shares on the grant date, with the quotient rounded down to the nearest whole share.

The Fiscal 2016 LTE Plan also provided for the grant of an additional target value of performance-based RSUs to our Named Officers (except Mr. Marchetti), as follows:

- If we achieved the fiscal 2016 revenue target of $840 million, a target dollar value of performance-based RSUs would be granted to Mr. Mitchell, Dr. Gill and Mr. Ng.
- If we achieved 90% of the fiscal 2016 revenue target (i.e., $756 million), 50% of the target dollar value of performance-based RSUs would be granted to Mr. Mitchell, Dr. Gill and Mr. Ng.
- If we achieved 105% or more of the fiscal 2016 revenue target (i.e., $882 million or more), 200% of the target dollar value of performance-based RSUs would be granted to Mr. Mitchell, Dr. Gill and Mr. Ng.
- Achievement of the fiscal 2016 revenue target at levels between 90% and 100% and between 100% and 105% would result in a dollar value of performance-based RSUs being granted to Mr. Mitchell, Dr. Gill and Mr. Ng that is scaled in a linear fashion.
- If Dr. Hou achieved his individual performance objectives, a target dollar value of RSUs would be granted to Dr. Hou.
- The number of shares to be granted under each such performance-based RSU award would be equal to the actual dollar value of the Named Officer's award, divided by the higher of (i) the fair market value per share of our ordinary shares on the grant date, or (ii) $10.00, with the quotient rounded down to the nearest whole share.

For fiscal 2016, we achieved revenue of $976.7 million, or approximately 116.3% of our fiscal 2016 revenue target, resulting in the aggregate maximum dollar value of RSUs (non-performance and performance-based) being awarded to Mr. Mitchell, Dr. Gill and Mr. Ng. In addition, the Compensation Committee

determined that Dr. Hou achieved half of his fiscal 2016 individual performance objectives, resulting in a dollar value of RSUs being awarded to Dr. Hou at 75% of the aggregate target dollar value of RSUs (non-performance and performance-based) for Dr. Hou. RSUs earned under the Fiscal 2016 LTE Plan were granted under our 2010 Performance Incentive Plan in the first quarter of fiscal 2017, but are reported as compensation for fiscal 2016 in the "Summary Compensation Table."

The following table sets forth the minimum, target, maximum and actual dollar value of RSUs for our Named Officers under the Fiscal 2016 LTE Plan, as well as the percentage of RSUs that were awarded under the plan based on performance.

Named Officer	Minimum Dollar Value (Non-Performance-Based of RSUs) ($)	Target Dollar Value of Performance-Based RSUs ($)	Aggregate Target Dollar Value of RSUs (Non-Performance and Performance-Based) ($)	Maximum Dollar Value of Performance-Based RSUs ($)	Aggregate Maximum Dollar Value of RSUs (Non-Performance and Performance Based) ($)	Actual Grant Date Fair Value of RSUs Awarded ($)(1)	Percentage of Actual RSUs Awarded Based on Performance in Fiscal 2016
Mr. Mitchell . . .	1,730,000	1,730,000	3,460,000	3,460,000	5,190,000	5,189,981	66.7%
Dr. Gill	575,000	575,000	1,150,000	1,150,000	1,725,000	1,724,974	66.7%
Mr. Ng	550,000	550,000	1,100,000	1,100,000	1,650,000	1,649,965	66.7%
Dr. Hou	250,000	250,000	500,000	250,000	500,000	374,966	33.3%

(1) RSUs were granted in fiscal 2017, but are reported as compensation for fiscal 2016 in the "Summary Compensation Table." RSUs vest over a four-year period at a rate of 25% on each anniversary of the grant date, subject to the Named Officer's continued employment or other service and the terms of the executive's employment agreement or offer letter, as applicable.

In April 2016, in connection with the commencement of Dr. Hou's employment, the Compensation Committee granted RSUs to Dr. Hou as set forth in the table below. The Compensation Committee considered Dr. Hou's qualifications and experience and equity awards granted by his previous employer in approving the grant of such RSUs.

Named Officer	Grant Date	Number of RSUs (#)	Grant Date Fair Value ($)
Dr. Hou	4/28/2016	36,591	1,189,939

During fiscal 2016, the Compensation Committee also granted RSUs to certain of our Named Officers pursuant to our fiscal 2015 performance share unit plan, as described in our 2015 proxy statement. The grant date fair value of such awards is reported in the "Stock Awards" column of the "Summary Compensation Table" for fiscal 2015 because the awards were earned in fiscal 2015. See the "Grants of Plan-Based Awards in Fiscal 2016" table for more information.

Perquisites and Personal Benefits

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

We provide certain benefits and allowances to our international assignees, including our Named Officers, which include housing and transportation allowances, living and travel expense reimbursements and tax preparation services. Consistent with the policy we have adopted with respect to all U.S. citizens who are working on our behalf in Asia on an expatriate basis, we pay such employees a tax equalization payment that is intended to put the employee in the same position, from a tax-liability perspective, that he or she would be in if they were still located in the United States. Of our Named Officers, Mr. Mitchell, Dr. Gill and Mr. Ng receive a tax equalization payment because each qualifies for such benefit under the policy.

In addition, in October 2014, the Compensation Committee approved the payment of additional cash compensation to Dr. Gill and Mr. Ng in the amount of 20% of their respective then-current annual base salary, determined and payable bi-monthly, with a tax gross-up (the "Foreign Service Premium Pay"), to incentivize them to continue working for us in Thailand and to ameliorate the resulting hardships to their families who are located in the United States. The Foreign Service Premium Pay was deemed effective as of July 1, 2014, and will continue for as long as Dr. Gill and Mr. Ng are required to, and do, temporarily reside and work in Thailand. In January 2015, the Compensation Committee authorized the purchase of key man life insurance policies for each of Dr. Gill and Mr. Ng, which provides for $3 million payable to the applicable Named Officer's elected beneficiaries and $2 million payable to us. Dr. Gill and Mr. Ng also receive a family travel benefit that provides each of their immediate family members a round-trip airline ticket to visit Thailand once per year at our expense.

In October 2016, we reviewed executive perquisites and adopted a perquisite policy that excludes non-business, travel-related expenses and charitable contributions.

The perquisites and personal benefits paid to each Named Officer in fiscal 2016 are reported in the "All Other Compensation" column of the Summary Compensation Table below, and are further described in the footnotes to such table.

Severance and Other Benefits Upon Termination of Employment

We and certain of our subsidiaries have entered into employment agreements or offer letters with our Named Officers that provide for them to receive severance benefits following certain terminations of their employment with us or our subsidiaries, as applicable. These arrangements are consistent with our overall compensation objectives because we believe such arrangements are critical to achieve our business objective of management retention. We evaluate the level of severance benefits to provide a Named Officer on a case-by-case basis. To ensure that the severance and change of control arrangements continue to remain consistent with our compensation philosophy and current market practices, the Compensation Committee may periodically review these arrangements. Please see "Potential Payments Upon Termination or Change in Control" below, for a description of the severance benefits our Named Officers may be entitled to receive upon termination of their employment.

Share Ownership Guidelines

To further align the interests of our executive officers and members of our Board of Directors with those of our shareholders, we have adopted share ownership guidelines for our executive officers and directors, which provide for a minimum ownership level equal to:

- chief executive officer—6x annual base salary;
- other executive officers—2x annual base salary; and
- directors—3x annual Board retainer.

Executive officers and directors are expected to meet these ownership levels within five years from August 2012 or, if appointed or elected after August 2012, within five years of their appointment as an executive officer

or election to the Board of Directors. Shares counted towards the minimum ownership levels include all shares beneficially owned by the executive officer or director and any unvested restricted share units held by the executive officer or director. All of our current executive officers and directors currently exceed their respective share ownership guidelines.

Hedging Policy

We have an insider trading policy that prohibits, among other things, short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to our ordinary shares.

Tax Considerations

Section 162(m) of the Internal Revenue Code places a limit of $1 million per year on the U.S. corporate income tax deduction a publicly-held corporation may take for compensation paid to each of its "covered employees" (generally, the chief executive officer and the next three most highly compensated executive officers, other than the chief financial officer, as of the end of any fiscal year). In general, certain performance-based compensation approved by shareholders is not subject to this $1 million deduction limit. Prior to our initial public offering, our Board of Directors did not take the deductibility limit imposed by Section 162(m) into consideration in making compensation decisions. In the future, the Compensation Committee may adopt a policy that, where reasonably practicable, we will seek to qualify the compensation paid to Named Officers that are employees of our U.S.-based subsidiaries as performance-based compensation to participate in the exemption from the deductibility limitations of Section 162(m). However, the Compensation Committee may continue to authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

Compensation Recovery Policy

In October 2016, we adopted a clawback policy applicable to our executive officers. If a majority of the independent members of the Board of Directors determines that an officer's misconduct caused us to materially restate all or a portion of our financial statements, the Board may require the officer to repay incentive compensation that would not have been payable absent the material restatement. This policy applies to all incentive compensation, excluding equity awards granted prior to the adoption of the policy, based on financial statements filed during the three years prior to the material restatement. The Compensation Committee intends to revisit our clawback policy after the SEC adopts final rules implementing the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Compensation and Risk Assessment

The Compensation Committee has assessed the risks associated with our compensation policies and practices for all employees and, based on its assessment, does not believe that such compensation policies and practices create risks that are reasonably likely to have a material adverse effect on us.

Compensation Committee Report

The Compensation Committee oversees Fabrinet's compensation policies, plans and benefit programs. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by the members of the Compensation Committee of the Board of Directors.

Dr. Frank H. Levinson (Chairman)
Thomas F. Kelly

Summary Compensation Table

The following table presents information regarding the total compensation of our Named Officers, who include (i) our principal executive officer, (ii) our principal financial officer, (iii) our other most highly compensated executive officers, other than our principal executive officer and principal financial officer, who were serving as executive officers at the end of fiscal 2016, and (iv) a former executive officer for whom disclosure would have been provided pursuant to Item 402 of Regulation S-K but for the fact that the individual was not serving as an executive officer at the end of fiscal 2016.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
David T. Mitchell	2016	700,000	—	5,189,981	—	1,680,000	1,021,849	8,591,830
Chief Executive Officer and	2015	700,000	—	5,881,409	—	1,251,600	655,328	8,488,337
Chairman of the Board of Directors	2014	650,000	—	1,780,660	—	910,000	661,463	4,002,123
Dr. Harpal S. Gill	2016	750,000	—	1,724,974	—	1,425,000	593,694	4,493,668
President and Chief Operating	2015	750,000	—	2,641,002	—	933,375	445,168	4,769,545
Officer of Fabrinet USA, Inc.	2014	625,000	—	1,102,500	—	728,000	230,340	2,685,840
Toh-Seng Ng	2016	500,000	—	1,649,965	—	800,000	589,960	3,539,925
Executive Vice President, Chief	2015	500,000	—	1,895,592	—	521,500	481,056	3,398,148
Financial Officer of Fabrinet USA, Inc.	2014	408,333	—	588,000	—	386,750	233,962	1,617,045
Dr. Hong Q. Hou(5) *Executive Vice President, Chief Technical Officer of Fabrinet USA, Inc.*	2016	226,705	—	1,564,905(6)	—	95,000	31,259	1,917,869
John Marchetti(7)	2016	212,500	—	—	—	—	1,782,871	1,995,371
Former Executive Vice	2015	425,000	—	1,373,277	—	339,788	63,292	2,201,357
President, Chief Strategy Officer of Fabrinet USA, Inc.	2014	375,000	—	588,000	—	341,250	61,623	1,365,873

(1) The amounts in this column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for our fiscal year ended June 24, 2016, filed with the SEC on August 17, 2016. These amounts do not necessarily correspond to the actual value that may be recognized by the Named Officer.

(2) For fiscal 2016, except as otherwise noted, the amounts in this column reflect the grant date fair value of stock awards earned under our fiscal 2016 long-term equity plan; such stock awards are reported as compensation for fiscal 2016 but were granted in fiscal 2017. For fiscal 2015, a portion of the amounts in this column reflect the grant date fair value of stock awards earned under our fiscal 2015 performance share unit plan; such stock awards are reported as compensation for fiscal 2015 but were granted in fiscal 2016. For fiscal 2014, the amounts in this column reflect the grant date fair value of stock awards granted in fiscal 2014. For more information, see the “Grants of Plan-Based Awards in Fiscal 2016” table below.

(3) For fiscal 2016, fiscal 2015 and fiscal 2014, the amounts in this column reflect cash bonuses earned under our fiscal 2016 executive incentive plan, fiscal 2015 executive incentive plan and fiscal 2014 executive plan, respectively. Amounts earned under our fiscal 2016 executive incentive plan are reported as compensation for fiscal 2016 but were paid in fiscal 2017. Amounts earned under our fiscal 2015 executive incentive plan are reported as compensation for fiscal 2015 but were paid in fiscal 2016. Amounts earned under our fiscal 2014 executive incentive plan are reported as compensation for fiscal 2014 but were paid in fiscal 2015. For more information, see the "Grants of Plan-Based Awards in Fiscal 2016" table below.
(4) For more information, see the "All Other Compensation for Fiscal 2016" table below.
(5) Dr. Hou joined Fabrinet in January 2016. Accordingly, only information for fiscal 2016 is provided with respect to Dr. Hou.
(6) Also includes restricted share units with a grant date fair value of $1,189,939 that were awarded to Dr. Hou in April 2016 in connection with him joining Fabrinet.
(7) In August 2015, Mr. Marchetti resigned as Executive Vice President, Chief Strategy Officer of Fabrinet USA, Inc., effective as of December 31, 2015.

All Other Compensation for Fiscal 2016

Name	Transportation ($)(1)	Housing ($)(2)	Tax Equalization Payment ($)(3)	Foreign Service Premium Pay ($)(4)	Health Insurance Premiums ($)	Term Life Insurance Premiums ($)	401(k) Contributions ($)	Other ($)	Total ($)
Mr. Mitchell	424,693	294,468	166,569	—	32,003	—	—	104,116(5)	1,021,849
Dr. Gill	47,477	120,000	207,473	150,000	28,940	26,280	13,469	55(6)	593,694
Mr. Ng	49,479	120,000	246,916	100,000	28,940	30,075	14,550	—	589,960
Dr. Hou	6,000	—	—	—	15,706	—	9,552	—	31,259
Mr. Marchetti	6,000	—	—	—	18,515	—	263	1,758,093(7)	1,782,871

(1) For Mr. Mitchell, represents (i) $269,231 of hotel expenses, (ii) $108,640 of airfare expenses, (iii) $45,232 of automobile expenses, and (iv) $1,590 of additional expenses for guests traveling with him. For Dr. Gill, represents (i) an annual travel allowance $25,000, (ii) an annual automobile allowance of $12,000, and (iii) $10,477 of expenses related to a car and driver in Thailand. For Mr. Ng, represents (i) an annual travel allowance $15,000, (ii) an annual automobile allowance of $12,000, and (iii) $22,479 of expenses related to a car and driver in Thailand. For Dr. Hou and Mr. Marchetti, represents an automobile allowance.
(2) For Mr. Mitchell, represents rent expense, utilities and home services. For Dr. Gill and Mr. Ng, represents an annual allowance for housing and related living expenses in Thailand.
(3) Represents foreign tax liability payments by Fabrinet on the Named Officer's behalf to satisfy all applicable non-U.S. taxes of such Named Officer for the following calendar years: Mr. Mitchell and Dr. Gill—calendar year 2014; Mr. Ng—calendar year 2015. Consistent with corporate policy, we pay on behalf of all U.S. citizens who are working on our behalf in Asia on an expatriate basis a tax equalization payment that is intended to put the employee in the same position, from a tax-liability perspective, that he or she would be in if they were still located in the United States.
(4) Represents additional cash compensation in the amount of 20% of Dr. Gill and Mr. Ng's respective then-current annual base salary, with a tax gross-up, to incentivize them to continue working for us in Thailand and ameliorate the resulting hardships to their families who are located in the United States.
(5) Represents (i) $35,742 of expenses associated with Mr. Mitchell's home office in the United States, (ii) $43,986 of out-patient medical expenses, (iii) $21,705 of expenses for meals, and (iv) $2,683 of charitable donations made on Mr. Mitchell's behalf.
(6) Represents out-patient medical expenses.

(7) Mr. Marchetti left Fabrinet in December 2015. As severance compensation, he received (i) a lump sum cash payment in the amount of $425,000, (ii) a lump sum cash payment in the amount of $138,000, in lieu of the amount of bonus Mr. Marchetti would have received under the fiscal 2016 executive incentive plan based on proration and assumed Company performance through the second quarter of fiscal 2016, (iii) reimbursement in the amount of $76,225 for health care insurance premiums under COBRA, (iv) reimbursement in the amount of $108,520 for outplacement services and office expenses, (v) accelerated vesting with respect to an aggregate of 40,613 restricted share units ($961,310 based on the closing price of our ordinary shares on the vesting date), and (vi) payment of accrued vacation in the amount of $49,038.

Grants of Plan-Based Awards in Fiscal 2016

The following table presents information concerning each grant of an award made to a Named Officer in fiscal 2016 under any plan.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)(3)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	(#)	(#)	($/Sh)	($)(4)
Mr. Mitchell	—	—	840,000	1,680,000	—	—	—	—	—	—	—
	—	—	—	—	1,730,000	3,460,000	5,190,000	—	—	—	—
	8/20/2015	—	—	—	—	—	—	164,717	—	—	3,211,982(5)
Dr. Gill	—	—	712,500	1,425,000	—	—	—	—	—	—	—
	—	—	—	—	575,000	1,150,000	1,725,000	—	—	—	—
	8/20/2015	—	—	—	—	—	—	60,256	—	—	1,174,992(5)
Mr. Ng	—	—	400,000	800,000	—	—	—	—	—	—	—
	—	—	—	—	550,000	1,100,000	1,650,000	—	—	—	—
	8/20/2015	—	—	—	—	—	—	55,076	—	—	1,073,982(5)
Dr. Hou	—	—	190,000	380,000	—	—	—	—	—	—	—
	—	—	—	—	250,000	500,000	500,000	—	—	—	—
	4/28/2016	—	—	—	—	—	—	36,591	—	—	1,189,939
Mr. Marchetti	—	—	170,000	340,000	—	—	—	—	—	—	—
	8/20/2015	—	—	—	—	—	—	29,282	—	—	570,999(5)

(1) Reflects target and maximum cash incentive award amounts for fiscal 2016 performance under our fiscal 2016 executive incentive plan, as described in "Compensation Discussion and Analysis—Executive Compensation Program Elements—Short-Term Cash Incentive Awards." There is no threshold payout amount under the fiscal 2016 executive incentive plan, as the minimum amount payable under the plan is $0. The actual bonus amounts were determined by the Compensation Committee in August 2016 and are reflected in the "Non-Equity Incentive Plan Compensation" column of the "Summary Compensation Table."

(2) Reflects the dollar value of threshold, target and maximum equity awards for fiscal 2016 performance under our fiscal 2016 long-term equity plan, which provides for awards of restricted share units based, in part, on the achievement of a corporate performance objective. Restricted share units awarded under our fiscal 2016 long-term equity plan vest over a four-year period at a rate of 25% on each anniversary of the vesting commencement date. Our fiscal 2016 long-term equity plan is described more fully above in "Compensation Discussion and Analysis—Executive Compensation Program Elements—Long-Term Equity Incentive Awards."

(3) In August 2016, the Compensation Committee determined the actual dollar value of awards earned by our Named Officers under our fiscal 2016 long-term equity plan and granted the following number of restricted share units to each Named Officer, as determined by dividing (i) the dollar value attributable to the Named Officer's actual bonus under the plan by (ii) the closing price per share of our ordinary shares on the New York Stock Exchange on the date of grant, rounded down to the nearest whole share. These amounts are included in the "Stock Awards" column of the "Summary Compensation Table" for fiscal 2016.

Name	Grant Date	Number of Restricted Share Units (#)	Grant Date Fair Value of Stock Awards ($)(4)
Mr. Mitchell	8/18/2016	128,211	5,189,981
Dr. Gill	8/18/2016	42,613	1,724,974

Name	Grant Date	Number of Restricted Share Units (#)	Grant Date Fair Value of Stock Awards ($)(4)
Mr. Ng	8/18/2016	40,760	1,649,965
Dr. Hou	8/18/2016	9,263	374,966

(4) Reflects the aggregate grant date fair value of each equity award computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended June 24, 2016, filed with the SEC on August 17, 2016. These amounts do not necessarily correspond to the actual value that may be recognized by the Named Officer.

(5) Although this restricted share unit award was granted in fiscal 2016, the grant date fair value is reported in the "Stock Awards" column of the "Summary Compensation Table" for fiscal 2015 because the award was earned in fiscal 2015 under our fiscal 2015 performance share unit plan.

Outstanding Equity Awards at Fiscal 2016 Year-End

The following table presents information regarding the outstanding equity awards held by each Named Officer as of the end of fiscal 2016.

		Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#)					
Name	Grant Date(1)	Exercisable	Unexercisable	Option Exercise Price ($)	Option Expiration Date(2)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)
Mr. Mitchell	10/13/2010	225,000	—	16.83	10/13/2017	—	—
	11/10/2011	129,828	—	14.12	11/9/2018	—	—
	8/23/2012(4)	—	—	—	—	16,368	572,389
	11/8/2012(4)	—	—	—	—	16,667	582,845
	8/9/2013(4)	—	—	—	—	50,000	1,748,500
	8/14/2013(4)	—	—	—	—	10,000	349,700
	10/19/2014(4)	—	—	—	—	124,275	4,345,897
	8/20/2015(4)	—	—	—	—	164,717	5,760,153
Dr. Gill	8/23/2012	—	—	—	—	10,229	357,708
	11/8/2012	—	—	—	—	10,417	364,282
	8/9/2013	—	—	—	—	37,500	1,311,375
	10/19/2014	—	—	—	—	68,250	2,386,703
	8/20/2015	—	—	—	—	60,256	2,107,152
Mr. Ng	10/13/2010	22,500	—	16.83	10/13/2017	—	—
	11/10/2011	21,638	—	14.12	11/9/2018	—	—
	3/1/2012	5,550	—	18.60	2/28/2019	—	—
	8/23/2012	—	—	—	—	4,093	143,132
	11/8/2012	—	—	—	—	4,167	145,720
	8/9/2013	—	—	—	—	20,000	699,400
	10/19/2014	—	—	—	—	38,250	1,337,603
	8/20/2015	—	—	—	—	55,076	1,926,008
Dr. Hou	4/28/2016	—	—	—	—	36,591	1,279,587
Mr. Marchetti	—	—	—	—	—	—	—

(1) All options vested over a four-year period at a rate of 1/48th per month. Stock awards consist of restricted share units. Unless otherwise noted, all restricted share units vest over a four-year period at a rate of 25% on each anniversary of the vesting commencement date.

(2) The expiration date shown is the normal expiration date and the latest date that options may be exercised. Options may terminate earlier in certain circumstances, such as in connection with a Named Officer's termination of employment or in connection with a change in control.
(3) Market value of shares or units of stock that have not vested is computed by multiplying (i) $34.97, the closing price on the New York Stock Exchange of our ordinary shares on June 24, 2016, the last business day of fiscal 2016, by (ii) the number of shares or units of stock.
(4) Pursuant to Mr. Mitchell's amended and restated employment agreement dated May 25, 2015, as amended, provided that Mr. Mitchell's employment with us continues through and on February 20, 2017, Mr. Mitchell shall become 100% vested on February 20, 2017, in such restricted share unit award.

Option Exercises and Shares Vested in Fiscal 2016

The following table presents information concerning the exercise of options and the vesting of stock awards in fiscal 2016 for each of our Named Officers.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)(1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)(2)**
Mr. Mitchell	—	—	120,932	2,373,805
Dr. Gill	103,555	1,893,081	70,998	1,397,076
Mr. Ng	—	—	34,335	673,087
Mr. Hou	—	—	—	—
Mr. Marchetti	20,818	275,422	71,321	1,546,342

(1) The value realized on exercise was determined by multiplying (i) the number of our ordinary shares acquired upon exercise of a share option, by (ii) the difference between the closing price per share of our ordinary shares on the New York Stock Exchange on the date of exercise and the exercise price of the share option.
(2) The value realized on vesting was determined by multiplying (i) the number of our ordinary shares acquired upon vesting of a restricted share unit, by (ii) the closing price per share of our ordinary shares on the New York Stock Exchange on the vesting date.

Potential Payments Upon Termination or Change of Control

We and certain of our subsidiaries have entered into employment agreements or offer letters with our Named Officers that provide the general terms and conditions of their employment, including payments and benefits upon termination of their employment in specified circumstances, including a change in control of the Company.

Arrangement with Mr. Mitchell

We have entered into an employment agreement with Mr. Mitchell, which provides for a term of employment through and including March 2, 2022, unless extended by mutual agreement or terminated prior to such date. Mr. Mitchell may terminate his employment with us for any reason by providing written notice 90 days in advance. We may terminate Mr. Mitchell's employment at any time with or without notice or cause. Under the employment agreement, Mr. Mitchell is entitled to certain payments upon termination of employment as described below.

In the event Mr. Mitchell's employment is terminated due to death, Mr. Mitchell's legal representatives or named beneficiaries will receive a lump sum payment in an amount equal to the sum of (i) twenty-four

(24) months of Mr. Mitchell's then current base salary, and (ii) an amount equal to the pro-rata portion of the target bonus which Mr. Mitchell would have been paid for his performance for the fiscal year in which his death occurs, but in no event less than six (6) months of Mr. Mitchell's then current base salary, and such payments shall be made upon the sixtieth (60) day following Mr. Mitchell's death. Additionally, Mr. Mitchell's legal representatives or named beneficiaries will receive continued tax equalization benefits under our expatriate policy, as in effect on the date of termination, for the calendar year in which the termination date occurs and the following calendar year.

In the event Mr. Mitchell's employment is terminated due to disability, Mr. Mitchell will be eligible to receive a lump sum payment in an amount equal to twenty-four (24) months of his then current base salary. Additionally, Mr. Mitchell will receive continued tax equalization benefits under our expatriate policy, as in effect on the date of Mr. Mitchell's disability, for the calendar year in which the disability occurs and the following calendar year.

In the event Mr. Mitchell's employment is terminated prior to February 20, 2022 (the "Mitchell Transition Date") either by us without "good cause" or by Mr. Mitchell for "good reason", Mr. Mitchell will (A) be eligible to receive a lump sum payment equal to the sum of (i) twenty-four (24) months of his then current base salary, and (ii) any earned but unpaid bonus as of the date of termination of employment; (B) be eligible to receive a lump sum payment equal to two times his cost of COBRA coverage for twelve months; and (C) receive continued tax equalization benefits under our expatriate policy, as in effect on the date of termination, for the calendar year in which the termination date occurs and the following calendar year.

In the event Mr. Mitchell terminates his employment on the Mitchell Transition Date or within ten (10) calendar days after the Mitchell Transition Date, Mr. Mitchell will (A) be eligible to receive a lump sum payment equal to the sum of (i) the product of one month's base salary then in effect multiplied by the total number of full and fractional years of his employment with us as of his termination date, and (ii) any earned but unpaid bonus as of the date of termination of employment, (B) be eligible to receive a lump sum payment equal to two times his cost of COBRA coverage for twelve months, and (C) receive continued tax equalization benefits under our expatriate policy, as in effect on the date of termination, for the calendar year in which the termination date occurs and the following calendar year (collectively, the "Retention Benefits"). Except as otherwise provided in the Employment Agreement, in the event Mr. Mitchell's employment is terminated prior to the Mitchell Transition Date or more than ten (10) calendar days after the Mitchell Transition Date, no Retention Benefits shall be due, owed, or paid to him.

Notwithstanding any statement contained in the employment agreement to the contrary, in the event Mr. Mitchell's employment is terminated on account of death or disability, by us without "good cause," by Mr. Mitchell for "good reason", or by Mr. Mitchell on the Mitchell Transition Date or within ten (10) calendar days after the Mitchell Transition Date, (x) any "Acceleration Eligible Awards" that are options or rights to purchase Fabrinet securities shall immediately vest and remain exercisable until the earlier of (1) the four (4) year anniversary of the date of Mr. Mitchell's termination or disability, or (2) the date on which the options or rights to purchase Fabrinet securities otherwise would have expired in accordance with their terms, and (y) Mr. Mitchell will become 100% vested immediately prior to the termination or disability date in any "Acceleration Eligible Awards" that are outstanding restricted stock, restricted share units, stock appreciation rights, phantom stock or other equity based awards, which have not previously fully vested.

The employment agreement provides for non-solicitation covenants for 12 months following a termination or resignation of employment that would result in the severance payments described above, as well as customary confidentiality covenants for the term of employment and thereafter.

"Acceleration Eligible Award" means (i) any restricted stock, restricted share units, stock appreciation rights, phantom stock or other equity based awards granted prior to August 1, 2016 and (ii) the award of restricted share units that was granted in August 2016 pursuant to Fabrinet's Fiscal 2016 Long-Term Equity Plan as a result of the Compensation Committee's determination that the applicable fiscal year 2016 performance criteria had been achieved under such plan.

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

"Good reason" means (i) a material diminution during the term of the agreement in Mr. Mitchell's office, duties, or responsibilities (including following any change in control) or (ii) a material breach by us of the agreement. However, before terminating his employment for good reason, Mr. Mitchell must provide (i) reasonable written notice to our Board of Directors setting forth the reasons for his intention to terminate for good reason and (ii) an opportunity for our Board of Directors to meet with him, together with legal counsel, and cure such reason within 30 days after receipt of such notice.

Arrangements with Dr. Gill and Mr. Ng

In the event Dr. Gill's or Mr. Ng's employment is terminated prior to May 7, 2018 (the "Gill Transition Date"), in the case of Dr. Gill, or prior to December 30, 2018 (the "Ng Transition Date"), in the case of Mr. Ng, either by Fabrinet USA, Inc. without "good cause" or by Dr. Gill or Mr. Ng, as applicable, for "good reason", Dr. Gill and Mr. Ng, as applicable, will (A) be eligible to receive a lump sum payment equal to the sum of (i) twelve (12) months of his then present base salary, and (ii) any earned but unpaid bonus as of the date of termination of employment; (B) be eligible to receive a lump sum payment equal to two times his cost of COBRA coverage for twelve months; (C) become 100% vested immediately prior to his termination date in any outstanding stock options, restricted stock, restricted share units, stock appreciation rights, phantom stock or other equity based awards (collectively, the "Equity Awards"), which have not previously fully vested; and (D) receive continued tax equalization benefits under our expatriate policy, as in effect on the date of termination, for the calendar year in which the termination date occurs, and the following calendar year. Notwithstanding the foregoing, the vesting acceleration benefit specified in subsection (C) (the "Vesting Acceleration Benefit") shall apply only to (x) Equity Awards granted to Dr. Gill or Mr. Ng, as applicable, before August 1, 2016 and (y) the Equity Award of restricted share units that was granted in August 2016 pursuant to Fabrinet's Fiscal 2016 Long-Term Equity Plan (the "FY16 LTE RSU Grant") as a result of the Compensation Committee's determination that the applicable fiscal year 2016 performance criteria had been achieved under such plan.

In the event Dr. Gill terminates his employment on the Gill Transition Date or within ten (10) calendar days after the Gill Transition Date, or Mr. Ng terminates his employment on the Ng Transition Date or within ten (10) calendar days after the Ng Transition Date, Dr. Gill and Mr. Ng, as applicable, will be eligible to receive (1) a lump sum payment equal to the product of one month's base salary multiplied by the total number of full and fractional years of his employment with Fabrinet USA, Inc. as of his termination date, and (2) all of the payments and benefits described in subsections (B), (C) and (D) of the preceding paragraph (collectively, the "Retention Benefits"). Notwithstanding the foregoing, the Vesting Acceleration Benefit shall apply only to (x) Equity Awards granted to Dr. Gill or Mr. Ng, as applicable, before August 1, 2016 and (y) the FY16 LTE RSU Grant. In the event Dr. Gill's employment is terminated prior to the Gill Transition Date or more than ten (10) calendar days after the Gill Transition Date, no Retention Benefits shall be due, owed, or paid to him. In the event Mr. Ng's employment is terminated prior to the Ng Transition Date or more than ten (10) calendar days after the Ng Transition Date, no Retention Benefits shall be due, owed, or paid to him.

In the event Dr. Gill's or Mr. Ng's employment is terminated on account of death or disability prior to the Gill Transition Date or the Ng Transition Date, as applicable, he will become 100% vested immediately prior to the termination date in any outstanding Equity Awards, which have not previously fully vested. Notwithstanding the foregoing, such vesting acceleration shall apply only to (x) Equity Awards granted to Dr. Gill or Mr. Ng, as applicable, before August 1, 2016 and (y) the FY16 LTE RSU Grant.

For purposes of Dr. Gill's and Mr. Ng's employment arrangements, "good cause" means (i) an act of dishonesty made in connection with their responsibilities as an employee, (ii) a conviction of or plea of nolo

contendere to a felony or any crime involving fraud, embezzlement or any other act of moral turpitude, (iii) gross misconduct, (iv) unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom they owe an obligation of nondisclosure, (v) willful breach of any obligations under any written agreement or covenant with the Company, or (vi) continued failure to perform employment duties after receipt of a written demand for performance from the Company.

For purposes of Dr. Gill's and Mr. Ng's employment arrangements "good reason" means the occurrence of any of the following events, without their consent: (i) a material diminution in base compensation; (ii) a material diminution in authority, duties, or responsibilities; (iii) a material change in the geographic location at which they must perform services for us; or (iv) any other action or inaction that constitutes a material breach by us of any written agreement or covenant with us. However, before terminating employment for good reason, Dr. Gill and Mr. Ng, as applicable, must provide (i) written notice to us setting forth the reasons for his intention to terminate for good reason and (ii) an opportunity for us to remedy the condition within 30 days after receipt of such notice.

Arrangement with Dr. Hou

In the event Dr. Hou's employment is terminated either by Fabrinet USA, Inc. without "good cause" or by Dr. Hou for "good reason", Dr. Hou will (A) be eligible to receive a lump sum payment equal to the sum of (i) twelve (12) months of his then present base salary, and (ii) any earned but unpaid bonus as of the date of termination of employment; (B) be eligible to receive a lump sum payment equal to two times his cost of COBRA coverage for twelve months; and (C) become 100% vested immediately prior to his termination date in any outstanding stock options, restricted stock, restricted share units, stock appreciation rights, phantom stock or other equity based awards, which have not previously fully vested.

In the event Dr. Hou terminates his employment on account of retirement, he will be eligible to receive (1) a lump sum payment equal to the product of one month's base salary multiplied by the total number of full and fractional years of his employment with Fabrinet USA, Inc. as of his termination date, and (2) all of the payments and benefits described in subsections (B), (C) and (D) of the preceding paragraph (collectively, the "Retention Benefits").

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

For purposes of Dr. Hou's employment arrangement, "good reason" means the occurrence of any of the following events, without his consent: (i) a material diminution in base compensation; (ii) a material diminution in authority, duties, or responsibilities; (iii) a material change in the geographic location at which he must perform services for us; or (iv) any other action or inaction that constitutes a material breach by us of any written agreement or covenant with us. However, before terminating employment for good reason, Dr. Hou must provide (i) written notice to us setting forth the reasons for his intention to terminate for good reason and (ii) an opportunity for us to remedy the condition within 30 days after receipt of such notice.

For purposes Dr. Hou's employment arrangement, "retirement" means his voluntary termination of employment (i) on or after attainment of age 65, and (ii) after a successor to his position assumes his position that is satisfactory to the Company's board of directors.

Life Insurance

We provide each of Dr. Gill and Mr. Ng with a life insurance policy, which in the event of death would pay $3 million to their respective heirs or beneficiaries and $2 million to us.

The following table provides information concerning the estimated payments and benefits that would be provided to Mr. Mitchell, Dr. Gill and Mr. Ng in the circumstances described above. Payments and benefits are estimated assuming the triggering event took place on the last business day of fiscal 2016 (June 24, 2016). There can be no assurance a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date, of if any other assumption used to estimate potential payments and benefits is not correct. Due to the number of factors affecting the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

		Potential Payments Upon Termination of Employment (Whether or Not in Connection With a Change of Control):			
Name	**Type of Benefit**	**Due to Death ($)**	**Due to Disability ($)**	**Without Cause ($)**	**Due to Resignation for Good Reason ($)**
Mr. Mitchell	Cash Severance Payment—200% Annual Base Salary(1)	1,400,000	1,400,000	1,400,000	1,400,000
	Cash Severance Payment—Cash Incentive Plan Compensation	840,000	—	1,680,000	1,680,000
	Equity Award Vesting—100% Acceleration(2)	13,359,274	13,359,274	13,359,274	13,359,274
	Continued Coverage of Medical Benefits(3)	—	—	60,000	60,000
	Total Value of Termination Benefits(4)	15,599,274	14,759,274	16,499,274	16,499,274
Dr. Gill	Cash Severance Payment—100% Annual Base Salary(1)	—	—	750,000	750,000
	Cash Severance Payment—Cash Incentive Plan Compensation	—	—	1,425,000	1,425,000
	Equity Award Vesting—100% Acceleration(2)	6,527,220	6,527,220	6,527,220	6,527,220
	Continued Coverage of Medical Benefits(3)	—	—	60,000	60,000
	Life Insurance Benefits(5)	3,000,000	—	—	—
	Total Value of Termination Benefits(4)	9,527,220	6,527,220	8,762,220	8,762,220
Mr. Ng	Cash Severance Payment—100% Annual Base Salary(1)	—	—	500,000	500,000
	Cash Severance Payment—Cash Incentive Plan Compensation	—	—	800,000	800,000
	Equity Award Vesting—100% Acceleration(2)	4,251,863	4,251,863	4,251,863	4,251,863
	Continued Coverage of Medical Benefits(3)	—	—	60,000	60,000
	Life Insurance Benefits(5)	3,000,000	—	—	—
	Total Value of Termination Benefits(4)	7,251,863	4,251,863	5,611,863	5,611,863

Name	Type of Benefit	Potential Payments Upon Termination of Employment (Whether or Not in Connection With a Change of Control):			
		Due to Death ($)	Due to Disability ($)	Without Cause ($)	Due to Resignation for Good Reason ($)
Dr. Hou	Cash Severance Payment—100% Annual Base Salary(1)	—	—	475,000	475,000
	Cash Severance Payment—Cash Incentive Plan Compensation	—	—	95,000	95,000
	Equity Award Vesting—100% Acceleration(2)	—	—	1,279,587	1,279,587
	Continued Coverage of Medical Benefits(3)	—	—	60,000	60,000
	Total Value of Termination Benefits(4)	—	—	1,909,587	1,909,587

(1) Assumes an annual base salary of $700,000 for Mr. Mitchell, $750,000 for Dr. Gill, $500,000 for Mr. Ng, and $475,000 for Dr. Hou (salaries in effect at June 24, 2016).

(2) Potential value if vesting of all unvested options and RSUs as of June 24, 2016 had been accelerated. Assumes a share price of $34.97 (based on the closing price per share of our ordinary shares on June 24, 2016).

(3) Reflects two times the annual cost of COBRA coverage to maintain the benefits currently provided.

(4) Does not include the future tax equalization benefits that such Named Officer is entitled to under our expatriate policy, as described above in "Executive Compensation—Compensation Discussion and Analysis."

(5) Reflects the death benefit payable to the executive's estate in the case of the executive's death.

Separation Agreement with Mr. Marchetti

In August 2015, John Marchetti resigned as Executive Vice President, Chief Strategy Officer of Fabrinet USA, Inc., effective as of December 31, 2015. In connection with Mr. Marchetti's resignation, on September 29, 2015, Fabrinet USA, Inc. and Fabrinet entered into a separation agreement and release with Mr. Marchetti. As consideration for non-disparagement obligations to Fabrinet USA, Inc. and Fabrinet and a full release of all claims related to Mr. Marchetti's employment with Fabrinet USA, Inc., Mr. Marchetti received: (1) a lump sum cash payment in the amount of $425,000; (2) a lump sum cash payment in the amount of $138,000, in lieu of the amount of bonus Mr. Marchetti would have received under the Company's Fiscal 2016 Executive Incentive Plan based on proration and assumed Company performance through the second quarter of fiscal 2016; (3) reimbursement for health care insurance premiums under COBRA through December 31, 2016; (4) accelerated vesting with respect to an aggregate of 40,613 restricted share units; (5) up to $100,000 worth of outplacement services; (6) reimbursement of up to $710 per month for office expenses until the earliest of December 31, 2016 or the date Mr. Marchetti obtains other employment; and (7) payment of accrued vacation. Such amounts are reported in the "All Other Compensation" for fiscal 2016 in the "Summary Compensation Table."

Equity Compensation Plan Information

The following table provides information as of June 24, 2016 with respect to our ordinary shares that may be issued under our existing equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	(b) Weighted-average exercise price of outstanding options, warrants and rights ($)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a) (#)
Equity compensation plans approved by security holders(1)	1,645,736(2)	4.50	2,207,607
Equity compensation plans not approved by security holders	—	—	—
Total	1,645,736	4.50	2,207,607

(1) Includes the following plans: 1999 Share Option Plan and 2010 Performance Incentive Plan.

(2) This amount includes 1,181,402 shares subject to restricted share unit awards that were outstanding as of June 24, 2016.

Proxy

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

We describe below transactions since the beginning of fiscal 2016 to which we were a party or will be a party, in which the amounts involved exceeded or will exceed $120,000 and in which the following persons had or will have a direct or indirect material interest:

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

Employment of Family Members

George Mitchell, brother of David T. Mitchell, is Senior Vice President, Business Development and Corporate Quality. In fiscal 2016, he received total cash compensation of $328,746 and perquisites in the amount of $135,795. George Mitchell's current annual base salary is $300,000.

Sean Mitchell, son of David T. Mitchell, is a Program Manager at our Fabrinet West subsidiary. In fiscal 2016, he received total cash compensation of $124,038 and perquisites in the amount of $1,055. Sean Mitchell's current annual base salary is $125,000.

Dr. Soon Kaewchansilp, father-in-law of David T. Mitchell, is a member of the board of directors of our Thai subsidiary, Fabrinet Co., Ltd. and was appointed in March 2015 as the first Fabrinet Fellow in recognition of his many years of exemplary service to the company. As a Fabrinet Fellow, Dr. Kaewchansilp will continue to serve as Fabrinet's ambassador to the Thai-American Chamber of Commerce, liaise with Thai government officials on behalf of Fabrinet, and mentor our employees in Thailand. In fiscal 2016, Dr. Kaewchansilp received total cash compensation of $180,000 and perquisites in the amount of $24,836. Dr. Kaewchansilp will receive a lump sum payment of $500,000 when his relationship with the company concludes.

Policy for Approval of Related Party Transactions

In accordance with the Audit Committee's charter, the Audit Committee reviews and pre-approves in writing any proposed related party transactions. The most significant related party transactions, particularly those involving our directors and officers, will be reviewed and pre-approved in writing by our Board of Directors. We will report all such material related party transactions under applicable accounting rules, federal securities laws and SEC rules and regulations. Any dealings with a related party must be conducted in such a way that does not give us or the related party preferential treatment. For purposes of these procedures, "related person" and "transaction" have the meanings contained in Item 404 of Regulation S-K.

Proxy

SECURITY OWNERSHIP BY PRINCIPAL SHAREHOLDERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of October 17, 2016, for:

- each person (or group of affiliated persons) who is known by us to beneficially own more than 5% of our ordinary shares;
- each of our directors and director nominees;
- each of our Named Officers; and
- all of our directors and current executive officers as a group.

We have determined beneficial ownership in accordance with SEC rules. Except as indicated in the footnotes below, and subject to applicable community property laws, we believe, based on the information furnished to us, the persons and entities named in the table below have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them. Percentage of beneficial ownership is based on 36,778,321 ordinary shares outstanding as of October 17, 2016. In computing the number of ordinary shares beneficially owned by a person or entity and the percentage ownership of that person or entity, we deemed to be outstanding all ordinary shares as to which such person or entity has the right to acquire within 60 days of October 17, 2016, through the exercise of any option or other right. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity.

Unless otherwise noted below, the address of each beneficial owner named below is c/o Fabrinet USA, Inc., 3736 Fallon Road, #428, Dublin, CA 94568.

5% Shareholders, Directors and Named Officers	Shares Beneficially Owned (#)	Percentage Beneficially Owned (%)
5% Shareholders:		
BlackRock, Inc.(1) 55 East 52nd Street New York, NY 10022	3,840,120	10.4
Royce & Associates, LLC(2) 745 Fifth Avenue New York, NY 10151	2,576,931	7.0
Named Officers:		
David T. Mitchell(3)	1,258,518	3.4
Dr. Harpal Gill	79,310	*
Toh-Seng Ng(4)	95,139	*
Hong Hou	1,000	*
John Marchetti(5)	—	—
Non-Employee Directors:		
Dr. Homa Bahrami	13,455	*
Thomas F. Kelly(6)	56,581	*
Dr. Frank H. Levinson	48,726	*
Rollance E. Olson	39,668	*
All directors and current executive officers as a group (8 persons)(7)	1,592,397	4.3

* Represents less than 1% of the total.

(1) Based on a Schedule 13G/A filed with the SEC on October 7, 2016 by BlackRock, Inc.

(2) Based on a Schedule 13G/A filed with the SEC on February 8, 2016 by Royce & Associates, LLC.

(3) Consists of (i) 901,649 shares held by the David T. Mitchell Separate Property Trust, of which Mr. Mitchell is the sole trustee, (ii) 129,828 shares issuable upon the exercise of options held by Mr. Mitchell that are exercisable within 60 days of October 17, 2016, (iv) 75,680 shares held by the Gabriel Thomas Mitchell Trust, of which Kimberley Totah is the sole trustee, (v) 75,681 shares held by the Alexander Thomas Mitchell Trust, of which Kimberley Totah is the sole trustee, and (vi) 75,680 shares held by the Sean Thomas Mitchell Trust, of which Kimberley Totah is the sole trustee. Mr. Mitchell disclaims beneficial ownership of the shares held by each of the Gabriel Thomas Mitchell Trust, the Alexander Thomas Mitchell Trust and the Sean Thomas Mitchell Trust.

(4) Consists of (i) 45,451 shares held by Mr. Ng, and (ii) 49,688 shares issuable upon the exercise of options held by Mr. Ng that are exercisable within 60 days of October 17, 2016.

(5) Mr. Marchetti left Fabrinet in December 2015. We have provided his ownership information based on the last information known to us.

(6) Consists of (i) 26,581 shares held by Mr. Kelly and (ii) 30,000 shares issuable upon the exercise of options held by Mr. Kelly that are exercisable within 60 days of October 17, 2016.

(7) Includes 209,516 shares issuable upon the exercise of options held by our current directors and executive officers that are exercisable within 60 days of October 17, 2016.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and any persons holding more than 10% of a registered class of our equity securities to report initial ownership of such equity shares, and any subsequent changes in ownership to the SEC. Such officers, directors and 10% shareholders also are required by SEC rules to furnish us with copies of all Section 16(a) forms they file. Specific due dates have been established by the SEC, and we are required to disclose in this proxy statement any failure to file required ownership reports by these dates. Based solely on our review of copies of such forms received, or written representations from certain reporting persons that no filings were required for such persons, we believe that during fiscal 2016 all Section 16(a) filing requirements applicable to our executive officers and directors were complied with, except as follows:

- On August 18, 2015, Dr. Gill filed a late Form 4 to report 10,172 shares withheld to pay taxes upon the vesting of restricted share units on August 9, 2015.
- On August 18, 2015, Mr. Marchetti filed a late Form 4 to report 3,705 shares withheld to pay taxes upon the vesting of restricted share units on August 9, 2015.

OTHER MATTERS

We know of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as our Board of Directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

It is important your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone, by using the Internet as instructed on the enclosed proxy card, or by executing and returning the enclosed proxy card in the envelope provided at your earliest convenience.

THE BOARD OF DIRECTORS

Grand Cayman, Cayman Islands
October 21, 2016

ANNEX A

RECONCILIATION OF GAAP MEASURES TO NON-GAAP FINANCIAL MEASURES

(in thousands of U.S. dollars, except per share data)	Twelve Months Ended			
	June 24, 2016		June 26, 2015	
	Net income	Diluted EPS	Net income	Diluted EPS
GAAP measures	**$61,897**	**$ 1.68**	**$43,642**	**$ 1.21**
Items reconciling GAAP net income & EPS to non-GAAP net income & EPS:				
Related to cost of revenues:				
Share-based compensation expenses	1,979	0.05	1,451	0.04
Cost resulting from a non-recurring warranty charge	1,000	0.03	—	—
Total related to gross profit	2,979	0.08	1,451	0.04
Related to selling, general and administrative expenses:				
Share-based compensation expenses	7,948	0.21	6,577	0.18
Executive separation cost	1,360	0.04	—	—
Investigation cost	—	—	3,242	0.09
Total related to selling, general and administrative expenses	9,308	0.25	9,819	0.27
Related to other income and other expense:				
Income related to flooding	(36)	(0.00)	—	—
Expenses related to reduction in workforce	—	—	1,153	0.03
Amortization of debt issuance costs	745	0.02	527	0.02
(Gain) loss on foreign currency	1,715	0.05	—	—
Total related to other income and other expense	2,424	0.07	1,680	0.05
Related to income tax expense (benefit):				
Income tax expense (benefit)	1,119	0.03	(187)	(0.01)
Total related to income tax expense (benefit)	1,119	0.03	(187)	(0.01)
Total related to net income & EPS	15,830	0.43	12,763	0.35
Non-GAAP measures	**$77,727**	**$ 2.11**	**$56,405**	**$ 1.57**
Shares used in computing diluted net income per share				
GAAP diluted shares		36,872		35,984
Non-GAAP diluted shares		36,872		35,984

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 24, 2016

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 001-34775

FABRINET

(Exact name of registrant as specified in its charter)

Cayman Islands	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

c/o Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue George Town Grand Cayman Cayman Islands	**KY1-9005**
(Address of principal executive offices)	**(Zip Code)**

+66 2-524-9600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Ordinary Shares, $0.01 par value	**New York Stock Exchange**
(Title of each class)	**(Name of exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of December 25, 2015, the last business day of the registrant's most recently completed second fiscal quarter, shares held by non-affiliates of the registrant had an aggregate market value of approximately $828.9 million, based on the closing price for the registrant's ordinary shares as reported on the New York Stock Exchange on such date.

As of August 5, 2016, the registrant had 36,203,905 ordinary shares, $0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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FABRINET

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended June 24, 2016

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PART I

ITEM 1. BUSINESS.

Overview

Fabrinet ("we", "us" and "our") provides advanced optical packaging and precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers ("OEMs") of complex products such as optical communication components, modules and sub-systems, industrial lasers, medical devices, and sensors. We offer a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, complex printed circuit board assembly, advanced packaging, integration, final assembly and test. Although, we focus primarily on low-volume production of a wide variety of high complexity products, which we refer to as "low-volume, high-mix", we also have the capability to accommodate high-volume production. Based on our experience with, and feedback from, customers, we believe we are a global leader in providing these services to the optical communications, industrial lasers and automotive markets.

Our customer base includes companies in complex industries that require advanced precision manufacturing capabilities, such as optical communications, industrial lasers, automotive, medical, and sensors. Our customers in these industries support a growing number of end-markets, including automotive, biotechnology, communications, materials processing, medical devices, metrology and semiconductor processing. Our revenues from lasers, sensors and other markets as a percentage of total revenues have decreased from 28.5% for the year ended June 26, 2015 ("fiscal year 2015") to 25.5% for the year ended June 24, 2016 ("fiscal year 2016"), while our revenues from optical communications products as a percentage of total revenues have increased from 71.5% for fiscal year 2015 to 74.5% for fiscal year 2016.

In many cases, we are the sole outsourced manufacturing partner used by our customers for the products that we produce for them. The products that we manufacture for our OEM customers include:

- optical communications devices, such as:
  - selective switching products, such as reconfigurable optical add-drop multiplexers ("ROADMs"), optical amplifiers, modulators and other optical components and modules that collectively enable network managers to route voice, video and data communications traffic through fiber optic cables at various wavelengths, speeds, and over various distances;
  - tunable lasers, transceivers, and transponders that eliminate, at a significant cost savings to the service provider, the need to stock individual fixed wavelength optical transceivers and transponders used in voice and data communications networks; and
  - active optical cables providing high-speed interconnect capabilities for data centers and computing clusters, as well as Infiniband, Ethernet, fiber channel and optical backplane connectivity;
- solid state, diode, gas and fiber lasers (collectively referred to as "industrial lasers") used across a broad array of industries, including semiconductor processing (wafer inspection, wafer dicing, wafer scribing), biotechnology and medical device (DNA sequencing, flow cytometry, hematology, antibody detection), metrology (instrumentation, calibration, inspection), and material processing (metal, polymer, textile drilling and cutting, annealing, marking, engraving, and welding); and
- sensors, including differential pressure, micro-gyro, fuel and other sensors that are used in automobiles, and non-contact temperature measurement sensors for the medical industry.

We also design and fabricate application-specific crystals, lenses, prisms, mirrors, laser components and substrates (collectively referred to as "customized optics") and other custom and standard borosilicate, clear

fused quartz, and synthetic fused silica glass products (collectively referred to as "customized glass"). We incorporate our customized optics and glass into many of the products we manufacture for our OEM customers, and we also sell customized optics and glass in the merchant market.

We believe we offer differentiated manufacturing services through our optical and electro-mechanical process technologies and our strategic alignment with our customers. Our dedicated process and design engineers, who have a deep knowledge in materials sciences and physics, are able to tailor our service offerings to accommodate our customers' complex engineering assignments. Our range of capabilities, from the design of customized optics and glass through process engineering and testing of finished assemblies, provides us with a knowledge base that we believe often leads to improvements in our customers' product development cycles, manufacturing cycle times, quality and reliability, manufacturing yields and end product costs. We offer an efficient, technologically advanced and flexible manufacturing infrastructure designed to enable the scale production of low-volume, high-mix products, as well as high-volume products. We specialize in complex prototype and new product introduction services, with specialized resources to meet customers' quick-turn printed circuit board assembly ("PCBA") and early stage manufacturing requirements. We have a dedicated engineering team to support the advanced optical packaging needs of our customers' cutting edge products, which allows them to accelerate development and time-to-market for such products. We often provide a "factory-within-a-factory" manufacturing environment to safeguard our customers' intellectual property by physically segregating certain key employees and manufacturing space from the resources we use for other customers. We also provide our customers with a customized software platform to monitor all aspects of the manufacturing process, enabling our customers to remotely access our databases to monitor yields, inventory positions, work-in-progress status and vendor quality data in real time. We believe there is no other manufacturing services provider with a similar breadth and depth of optical and electro-mechanical engineering and process technology capabilities that does not directly compete with its customers in their end-markets. As a result, we believe we are more closely aligned and better able to develop long-term relationships with our customers than our competitors.

We are organized and operate in a single segment. See Note 18, Business segments and geographic information of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report, which is incorporated herein by reference.

As of June 24, 2016, our facilities comprised approximately 1.4 million total square feet, including approximately 0.2 million square feet of office space and approximately 1.2 million square feet devoted to manufacturing and related activities, of which approximately 0.5 million square feet are clean room facilities. Of the aggregate square footage of our facilities, approximately 1.0 million square feet are located in Thailand and the balance is located in the People's Republic of China ("PRC" or "China"), the United States and the Cayman Islands. See Part I, Item 2. Properties of this Report.

Industry Background

Optical Communications

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

Demand for optical communications components and modules is influenced by the level and rate of development of optical communications infrastructure and carrier and enterprise network expansion, as well as rapid expansion of data center infrastructures. Carrier demand for optical communications network equipment

has increased as a direct result of higher network utilization and increased demand for bandwidth capacity. The increase in network traffic volumes have been driven by increasing demand for voice, data and video services delivered over wired and wireless Internet protocol, or IP, networks. The bandwidth demands for data center access have been largely driven by social media applications and cloud services, and continue to increase very rapidly.

Industrial Lasers, Sensors and Others

The optical and electro-mechanical process technologies used in the optical communications market also have applications in other similarly complex end-markets that require advanced precision manufacturing capabilities, such as automotive, industrial lasers, medical devices, and sensors. These markets are substantially larger than the optical communications components and modules market. Growth in the industrial lasers, medical, and sensors markets is expected to be driven by demand for:

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

Outsourcing of production by industrial laser and sensor OEMs has historically been limited. We believe industrial laser and sensor OEMs are increasingly recognizing the benefits of outsourcing that OEMs in other industries, such as optical communications, have been able to achieve.

Our Competitive Strengths

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

- ***Advanced Optical and Electro-Mechanical Manufacturing Technologies:*** We believe that our optical and electro-mechanical process technologies and capabilities, coupled with our customized optics and glass technologies, provide us with a key competitive advantage. These technologies include:
  - advanced optical and precision packaging;
  - reliability and environmental testing;
  - optical and mechanical material and process analysis;
  - precision optical fiber and electro-mechanical assembly;
  - complex printed circuit board assembly;
  - customized software tools for low-volume, high-mix manufacturing;
  - turn-key manufacturing systems;
  - fiber metallization and lensing;
  - fiber handling and fiber alignment;
  - crystal growth and processing;
  - precision lapping and polishing;
  - precision glass drawing; and
  - optical coating.

- ***Efficient, Flexible and Low Cost Process Engineering and Manufacturing Platform:*** We enable our customers to transition their production to an efficient and flexible manufacturing platform that is specialized for the production of optics and similarly complex products and is located in a low-cost geography. We believe our advanced manufacturing technologies, coupled with our broad engineering capabilities, give us the ability to identify opportunities to improve our customers' manufacturing processes and provide meaningful production cost benefits. We have also developed a series of customized software tools that we believe provide us with a specialized ability to manage the unique aspects of low-volume, high-mix production.

- ***Customizable Factory-Within-a-Factory Production Environment:*** We offer our customers exclusive engineering teams and manufacturing space for production. We call this concept of segregating production by customer a "factory-within-a-factory." We believe our approach maximizes intellectual property protection and provides greater opportunities to reduce cost and improve time to market for our customers' products.

- ***Vertical Integration Targeting Customized Optics and Glass:*** We believe our capabilities in the design and fabrication of high-value customized optics and glass are complementary to our manufacturing services. Specifically, these capabilities enable us to strategically align our business to our customers' needs by streamlining our customers' product development process and reducing the number of suppliers in our customers' manufacturing supply chains. Also, we use these customized optics and glass products in certain of the components, modules and subsystems we manufacture, which enables us to shorten time to market and reduce the cost for our customers. We believe this level of vertical integration positions us to capitalize on further opportunities to cross-sell our design and fabrication capabilities.

- ***Turn-Key Supply Chain Management:*** We have created a proprietary set of automated manufacturing resource planning tools designed specifically to address the unique inventory management demands of "low-volume, high-mix" manufacturing. Over the years, we have developed strong relationships with thousands of suppliers and implemented inventory management strategies with many of them, which enables us to obtain inventory on an as-needed basis and provide on-site stocking programs. We believe our deep expertise, relationships and capabilities in supply chain and materials management often allows us to further reduce costs and cycle times for our customers.

Our Growth Strategy

The key elements of our growth strategy are to:

- ***Strengthen Our Presence in the Optical Communications Market:*** We believe we are a leader in manufacturing products for the optical communications market. The optical communications market is growing rapidly, driven by the growth in demand for increased network bandwidth and penetration from core to metro networks and data center infrastructures. We believe this trend will continue to increase the demand for the products that we manufacture and the services we provide. We continue to invest resources in advanced manufacturing process and optical packaging technologies to support the manufacture of the next generation of complex optical products.

- ***Leverage Our Technology and Manufacturing Capabilities to Continue to Diversify Our End-Markets:*** We intend to use our technological strengths in precision optical and electro-mechanical manufacturing, advanced packaging and process design engineering to continue our diversification into industrial lasers, medical, sensors, and other select markets that require similar capabilities.

- ***Continue to Extend Our Customized Optics and Glass Vertical Integration:*** We will continue to extend our vertical integration into customized optics and glass in order to gain greater access to key components used in the complex products we manufacture as well as to continue our diversification into new markets. We believe our customized optics and glass capabilities are highly complementary to

our optical and electro-mechanical manufacturing services, and we intend to continue to market these products to our existing manufacturing services customers. In addition, we intend to continue our focus on customized optics and glass through further investment into research and development, as well as through potential acquisitions in what remains a highly fragmented market.

- ***Evaluate Potential Strategic Alternatives such as Acquisitions and Joint Ventures:*** We will continue to evaluate opportunities to further expand our manufacturing capabilities and diversify our end-markets through the evaluation of various acquisition and joint venture opportunities around the globe.
- ***Broaden Our Client Base Geographically:*** Our manufacturing services are incorporated into products that are distributed in markets worldwide, but we intend to further build out our client base in strategic regions. We intend to focus on expanding our client base in Europe, Asia-Pacific, and the United States. We believe these regions have a large and robust optics market, as well as a need for advanced manufacturing services in other growth markets, and would benefit from our precision optical and electromechanical manufacturing services.
- ***Establish New Product Introduction ("NPI") Centers to Generate and Transfer New Business to Thailand:*** We established Fabrinet West, Inc. as an NPI center in the heart of Silicon Valley. Fabrinet West, Inc. serves as our business development arm with emphasis on new business generation and eventual transfer to Thailand after NPI. Equipped with state-of-the-art surface mount and advanced optical packaging technologies and infrastructure, and with close proximity to a large portion of our customer base, this center helps to accelerate customer NPI and provides seamless access and future transfer to the low-cost manufacturing base in Thailand.

Service Offerings

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

Precision Optical, Electro-Mechanical, and Electronic Manufacturing Services

Process Design and Engineering

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

Advanced Optical Packaging

We have a dedicated team of experienced engineers supporting our advanced optical packaging development capabilities. These highly qualified engineers work closely with our customers to understand the development requirements of their new products and assist them to build prototypes, as well as source materials, optimize manufacturing processes and develop schedules to bring these products to volume production. We maintain a real-time roadmap for the packaging requirements of our customers and the industry in general. Our advanced packaging team develops and maintains generic recipes that are readily available to be tailored and refined for the specific new applications of our customers, which helps to further accelerate prototype development and product delivery time.

Printed Circuit Board Assembly and Test

Printed circuit board assembly involves attaching electronic components, such as integrated circuits, capacitors, receivers, transceivers and other components and modules to printed circuit boards. We employ a variety of mounting and assembly technologies, including SMT, PTH and ACT, press-fit, and other connection processes that are focused on miniaturization and increasing the density of component placement on printed circuit boards. These technologies, which support the needs of our customers to provide greater functionality in smaller products, include chip-scale packaging, ball grid array, direct chip attach and high density interconnect. We perform in-circuit, functional and environmental testing of printed circuit board assemblies to verify all components are properly inserted, attached and the electrical circuits are complete, and that the board or assembly operates in accordance with its final design and manufacturing specifications.

Dedicated New Product Introduction

We are committed to providing NPI capabilities designed to ensure that our customers' products get to market as quickly as possible. Co-locating strong engineering services in process design, prototyping, design for manufacturability ("DFM") and test at these locations gives customers as full suite of NPI services for quick-turn PCBA to box-build to full system assembly. Stringent IP protection protocols are strictly enforced throughout the entire process, safeguarding our customers' intellectual property. Our NPI sites are outfitted with state-of-the-art production equipment that mirrors the equipment used in our low-cost manufacturing facilities, ensuring a fast, smooth transition to a low-cost production environment once the product is qualified.

Qualifications

Production line and environmental qualifications require a variety of process engineering and technical skills, and the use of specialized equipment. Many of the products that we produce for our customers require extensive environmental and reliability qualification involving, in some cases, a three to six months or longer duration prior to volume production. The qualification phase may include a customer's certification of a production line or process and one or a series of qualification tests for mechanical integrity and environmental endurance as specified by an industry standards organization, such as Telcordia for telecommunication equipment. We have extensive expertise in the planning, executing, troubleshooting and ultimate success of these qualifications and testing environments, which provides our customers a higher likelihood of completing these qualifications in a timely fashion.

Continuous Improvement and Optimization

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

Supply Chain and Inventory Management

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

Quality Control

We believe the integration of our manufacturing and test controls, quality systems, and software platforms contribute significantly to our ability to deliver high-quality products on a consistent basis and reduce the risk

that we will be required to repair or replace defective products. Our manufacturing execution system ("MES") is directly integrated with our test system and enterprise resource planning ("ERP") database allowing us to respond to any process deviations in real time. We work with customers to develop product-specific test strategies. We also provide a variety of test management services, including material and process testing and reliability testing. In addition to providing yield, manufacturing data tracking and other information, our data tracking system also performs process route checking to ensure that the products follow correct process steps, and the test results meet all specified criteria. Our test capabilities include traditional PCBA testing, mechanical testing and optical testing, which includes parametric testing, such as insertion loss, return loss and extinction ratio, and functional testing (e.g., bit error ratio).

Customized Glass and Crystal Optics Fabrication

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

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

Technology

Based on our experience with customers and our qualitative assessment of our capabilities, we believe we provide a broader array of process technologies to the optics industry than any other manufacturing services provider. We also continue to invest in customized optics and glass technology including in the areas of crystal growth, crystal and glass processing, optical coating, polishing and lapping, optical assemblies and precision glass drawing. We intend to continue to increase our process engineering capabilities and manufacturing technologies to extend our product portfolio and continue to gain market share in the optics industry.

Our internally developed and licensed technologies include the following:

- *Advanced Optical Packaging:* We have extensive experience in developing manufacturing processes and performing value engineering to improve our customers' product performance, quality, reliability and manufacturing yields. In many cases, we partner with our customers to develop custom manufacturing solutions for their optics products.
- *Reliability Testing:* Our reliability laboratory enables us to test the degree to which our results and specifications conform to our customers' requirements. Through the reliability laboratory, we are able

to perform most of the tests required by industry standards, including damp heat, thermal aging, thermal shock, temperature cycling, shock and vibration, accelerated life testing and stress screening. The reliability laboratory is critical to verification of root cause failure analysis.

- *Optical and Mechanical Material and Process Analysis:* Our in-house material and process laboratory analyzes materials to support incoming inspection, process development, process monitoring, failure analysis and verification of compliance with the applicable environmental standards.
- *Precision Optical Fiber and Electro-Mechanical Assembly:* We have extensive experience in precision optical and electro-mechanical assemblies in clean room environments, clean room control discipline, cleaning technologies and electro-static discharge ("ESD") protection.
- *Fiber Metallization and Lensing:* We use our fiber metallization and fiber lensing capabilities to assist our customers in packaging their products. Many optical component package designs require metallized fiber and some designs also require lensing at the tip of the fiber. We have in-house capabilities that enable us to produce these products at a low cost, with short lead times and high quality.
- *Fiber Handling and Fiber Alignment:* The technique with which optical fiber is handled can have a significant impact on the functionality and reliability of optics products due to the risk of damage or flaws introduced to the fiber surface or micro-cracks to the core of the fiber, which may impact alignment or signal quality, among other things. We have implemented a number of processes, techniques, and best practices to avoid stressing or otherwise damaging fiber during stripping, cleaving and connectorization. Such techniques are also designed to achieve optimal alignment of fiber in the shortest period of time during these processes.
- *Optical Testing:* We have the capability to perform parametric and functional tests for a wide variety of optical devices. In many cases, we are also able to help our customers develop their own proprietary software and test fixtures.
- *Crystal Growth and Processing:* Our crystal growth technology produces non-linear optical crystals and crystals used in laser applications. Our processing capabilities include dicing, grinding, polishing and inspection with high dimension, tolerance and surface quality.
- *Precision Glass Drawing:* We have developed the specialized capabilities necessary to draw precision structures within tight tolerances using borosilicate, clear fused quartz and synthetic fused silica glass. Using these processes, we produce customized rectangular and circular glass tubes and rods in various configurations and with multiple bores that are accurately drawn in precise locations within the tubing. These tubes can be sliced into thin wafers for use in various applications, such as ultra-filtration of bacteria, micro-organism counting, and identification of organisms and substances. These tubes can also be cut into larger lengths to produce ferrules and sleeves for use in fiber optic communications components.
- *Optical Coating:* We provide a wide variety of coating from simple single layer anti-reflection coatings to complex multi-layer stacks. The types of coating we provide include anti-reflection, partial reflection and high reflection.

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

Customers, Sales and Marketing

The optical communications market we serve is highly concentrated. Therefore, we expect a significant percentage of our total revenues will continue to come from a small number of customers. During fiscal year 2016 and fiscal year 2015, we had one and two customers, respectively, that each contributed 10% or more of our total revenues. These customers together accounted for 20% and 30%, respectively, of our total revenues during such fiscal years.

The production of optical devices is characterized by a lengthy qualification process. In particular, the qualification and field testing of the products that we produce for our customers may take three to six months or longer to complete. Generally, we must qualify our production process with our customers, and the products that we manufacture must also meet the product quality requirements of our customers' customers. While most of our customers do not purchase our services until they qualify the services and satisfactorily complete factory audits and vendor evaluations, we typically produce a test run of their products to demonstrate that the products we produce will meet their qualification standards in advance of receiving an order. As part of this process, our engineers work closely with the customer's design and procurement teams. We believe that the rigorous product transfer and qualification processes, and the close relationships that we develop with our customers during those processes, results in greater visibility into product life cycles and longer-term customer engagements.

Backlog

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

Suppliers of Raw Materials

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

Quality

We have an extensive quality management system that focuses on continual process improvement and achieving high levels of customer satisfaction. We employ a variety of enhanced statistical engineering techniques and other tools to improve product and service quality. In addition, we generally offer a warranty ranging from one to five years on the products that we assemble. Generally, this warranty is limited to our workmanship and our liability is capped at the price of the product.

Our quality management systems help to ensure that the products we provide to our customers meet or exceed industry standards. We maintain the following certifications: ISO9001 for Manufacturing Quality Management Systems; ISO14001 for Environmental Management Systems; TL9000 for Telecommunications Industry Quality Certification; ISO/TS16949 for Automotive Industry Quality Certification; ISO13485 for

Medical Devices Industry Quality Certification; AS9100 for Aerospace Industry Quality Certification; and OHSAS18001 for Occupational Health and Safety Management Systems. We also maintain compliance with various additional standards imposed by the U.S. Food and Drug Administration, or FDA, with respect to the manufacture of medical devices.

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

Competition

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

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

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

Competitors in the market for optical manufacturing services include Benchmark Electronics, Inc., Celestica Inc., Sanmina-SCI Corporation, Jabil Circuit, Inc. and Venture Corporation Limited, as well as the internal manufacturing capabilities of our customers. Our customized optics and glass operations face competition from companies such as Browave Corporation, Fujian Castech Crystals, Inc., Photop Technologies, Inc. and Research Electro-Optic, Inc.

Intellectual Property

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

We regard our own manufacturing process technologies and customized optics and glass designs as proprietary intellectual property. We own any process engineering technology independently developed in-house by our technical staff. As part of our manufacturing services, to the extent we utilize our own manufacturing process technologies in the manufacture of our customers' products, we grant our customers a royalty-free license to these process engineering technologies for the purpose of allowing our customers to make their products. Any process engineering or other improvements that we develop in connection with the improvement or optimization of a process for the manufacturing of a customer's products are immediately assigned to that customer. To protect our proprietary rights, we rely largely upon a combination of trade secrets, non-disclosure agreements and internal security systems. Historically, patents have not played a significant role in the protection of our proprietary rights. Nevertheless, we currently have a relatively small number of solely-owned and jointly-held PRC patents in various customized optic technologies with expiration dates between 2022 and 2034. We believe that both our evolving business practices and industry trends may result in the continued growth of our patent portfolio and its importance to us, particularly as we expand our business.

Environmental Regulation

We are subject to a variety of international and U.S. laws and other legal requirements relating to the use, disposal, cleanup of and human exposure to hazardous materials. To date, such laws and regulations have not materially affected our business. We do not anticipate any material capital expenditures for environmental control facilities for the foreseeable future. While to date we are not aware of any material exposures, there can be no assurance that environmental matters will not arise in the future or that costs will not be incurred with respect to sites as to which no problem is currently known.

Social Responsibility

Our corporate social responsibility practices focus on creating better social, economic and environmental outcomes for all stakeholders in the global electronics supply chain. These outcomes include: improved conditions for workers, increased efficiency and productivity for customers and suppliers, economic development, and a clean environment for our communities. We are committed to implementing programs that focus on driving continuous improvements in social, ethical, and environmental compliance throughout all of our global operating units in accordance with our Code of Business Conduct. As a guide to achieve this end, we look at principles, policies and standards as prescribed by the Electronics Industry Citizenship Coalition ("EICC"), an association of global electronics companies whose mission is to enable companies to improve the social and environmental conditions in the global supply chain. Fabrinet is a full member of the EICC.

Corporate Structure

Fabrinet was incorporated under the laws of the Cayman Islands in August 1999 and commenced business operations in January 2000. We have eleven direct and indirect subsidiaries, all of which are wholly-owned. As the parent company, we enter into contracts directly with our customers, and have entered into various inter-company agreements with some of our subsidiaries, while our subsidiaries, Casix, Inc. and FBN New Jersey Manufacturing, Inc., each enter into sales contracts or purchase orders directly with their customers. We have inter-company agreements with Fabrinet Co., Ltd., and FBN New Jersey Manufacturing, Inc., whereby each provides manufacturing services to us. We also have inter-company agreements with Fabrinet USA, Inc., and Fabrinet Pte., Ltd. to provide us certain administrative and business development services.

Employees

As of June 24, 2016, we employed approximately 9,330 full-time employees worldwide, including approximately 9,110 employees in manufacturing operations and 220 employees in business development and general and administrative functions. None of our employees are represented by a labor union. We have not experienced any work stoppages, slowdowns, or strikes. We consider our relations with our employees to be positive.

Available Information

Our website is located at www.fabrinet.com. The information posted on our website is not incorporated into this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through the "Investors" section of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission ("SEC"). You may also access all of our public filings through the SEC's website at www.sec.gov. Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

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.

Risks Related to Our Business

Our sales depend on and will continue to 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 total revenues. During fiscal year 2016 and fiscal year 2015, we had one and two customers, respectively, that each contributed 10% or more of our total revenues. These customers together accounted for 20% and 30% of our total revenues, respectively, during such fiscal years. 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, operating results and share price.

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 Brexit, adverse conditions in the credit markets, and the continual uncertainty in the global economies. 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.

Reliance on a small number of customers gives those customers substantial purchasing power and leverage in negotiating contracts with us. In addition, although we enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we are awarded business under those agreements on a project-by-project basis. Some of our customers have at times significantly reduced or delayed the volume of manufacturing services that they order from us. If we are unable to maintain our relationships with our existing significant customers, our business, financial condition and operating results could be harmed.

Natural disasters (like the 2011 flooding in Thailand) epidemics, acts of terrorism and other political and economic developments could harm our business, financial condition, and operating results.

Natural disasters, such as the October to November 2011 flooding in Thailand, where most of our manufacturing operations are located, 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 and 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 October to November 2011 flooding in Thailand forced us to temporarily shut down all of our manufacturing facilities in Thailand and cease

production permanently at our Chokchai facility in Thailand, which adversely affected our ability to meet our customers' demands during fiscal year 2012. In some countries in which we operate, including the PRC and Thailand, potential outbreaks of infectious diseases such as the H1N1 influenza virus, severe acute respiratory syndrome ("SARS") or bird flu could disrupt our manufacturing operations, reduce demand for our customers' products and increase our supply chain costs. In addition, increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers, and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our customers. These events have had, and may continue to have, an adverse impact on the U.S. and world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility of the U.S. and world financial markets also could increase the volatility of the market price of our ordinary shares and may limit the capital resources available to us, our customers and our suppliers.

We are not fully insured against all potential losses. Natural disasters or other catastrophes could adversely affect our business, financial condition and results of operations.

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 would not be compensated by existing insurance. This in turn could have a material adverse effect on our financial condition and results of operations.

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

Our future success as a provider of precision optical, electro-mechanical and electronic manufacturing services for the optical communications market depends on the continued growth of the optics industry and, in particular, the continued expansion of global information networks, particularly those directly or indirectly dependent upon a fiber 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 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 quarterly and annual revenues, gross profit margins, and operating results to fluctuate from period to period:

- our ability to acquire new customers and retain our existing customers by delivering superior quality and customer service;
- the cyclicality of the optical communications market, as well as the industrial lasers, medical, and sensors markets;
- competition;
- our ability to achieve favorable pricing for our services;
- 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. In the event that the opportunities presented by these markets prove to be less than anticipated, if we are less successful than expected in diversifying into these markets, or if our margins in these markets prove to be less than expected, our growth may slow or stall, and we may incur costs that are not offset by revenues in these markets, all of which could harm our business, financial condition and operating results.

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 October to November 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 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. 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 more competitors as we attempt to penetrate new markets.

Many of our customers and potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater resources than we have. These advantages may allow them to devote greater resources than we can to the development and promotion of service offerings that are similar or superior to our service offerings. These competitors may also engage in more extensive research and development, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies or offer services that achieve greater market acceptance than ours. These competitors may also compete with us by making more attractive offers to our existing and potential employees, suppliers and strategic partners. Further, consolidation in the optics industry could lead to larger and more geographically diverse competitors. New and increased competition could result in price reductions for our services, reduced gross profit margins or loss of market share. We may not be able to compete successfully against our current and future competitors, and the competitive pressures we face may harm our business, financial condition and operating results.

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 fully binding and may be unreliable. Customers may cancel their orders, change production quantities from forecasted volumes or delay production for a number of reasons beyond our control. Any material delay, cancellation or reduction of orders could cause our revenues to decline significantly and could cause us to hold excess materials. Many of our costs and operating expenses are fixed. As a result, a reduction in customer demand could decrease our gross profit and harm our business, financial condition and operating results.

In addition, we make significant decisions, including production schedules, 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.

We provide manufacturing services to companies, and rely on suppliers, that have in the past and may in the future experience financial difficulty, particularly in light of recent conditions in the credit markets and the overall economy that affected access to capital and liquidity. As a result, we devote significant resources to monitor receivables and inventory balances with certain of our customers. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our

services from these customers could decline. If our suppliers experience financial difficulty, we could have trouble sourcing materials necessary to fulfill production requirements and meet scheduled shipments. Any such financial difficulty could adversely affect our operating results and financial condition by resulting in a reduction in our revenues, a charge for inventory write-offs, a provision for doubtful accounts, and an increase in working capital requirements due to increases in days in inventory and in days in accounts receivable. For example, in July 2014, one of our customers filed for bankruptcy protection under the Local Trade Court in France; however, the potential losses from this particular customer did not have a significant effect on our consolidated financial statements.

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

Volatility in the functional and non-functional currencies of our entities and the U.S. dollar could seriously harm our business, financial condition and operating results. The primary impact of currency exchange fluctuations is on our cash, receivables and payables of our operating entities. We may experience significant unexpected expenses from fluctuations in exchange rates.

Our customer contracts generally require that our customers pay us in U.S. dollars. However, the majority of our payroll and other operating expenses are paid in Thai baht. As a result of these arrangements, we have significant exposure to changes in the exchange rate between the Thai baht and the U.S. dollar, and our operating results are adversely impacted when the U.S. dollar depreciates relative to the Thai baht and other currencies. We have experienced such depreciation in the U.S. dollar as compared with the Thai baht, and our results have been adversely impacted by this fluctuation in exchange rates. Further, while we attempt to hedge against certain exchange rate risks, we typically enter into hedging contracts with maturities of up to six months, leaving us exposed to longer term changes in exchange rates.

Also, we have significant exposure to changes in the exchange rate between the RMB and the U.S. dollar. The expenses of our PRC subsidiary are denominated in RMB. Currently, RMB are convertible 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, 2016, the U.S. dollar had appreciated approximately 6.4% against the RMB since June 27, 2014. There remains significant international pressure on the PRC government to adopt a substantially more liberalized currency policy. Any future appreciation in the value of the RMB against the U.S. dollar could negatively impact our operating results.

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

We rely on a single source or a limited number of suppliers for critical materials used in a significant number of the products we manufacture. We generally purchase these single or limited source materials through standard purchase orders and do not maintain long-term supply agreements with our suppliers. We generally use a rolling 12 month forecast based on anticipated product orders, customer forecasts, product order history, backlog, and warranty and service demand to determine our materials requirements. Lead times for the parts and components that we order vary significantly and depend on factors such as manufacturing cycle times, manufacturing yields and the availability of raw materials used to produce the parts or components. Historically, we have experienced supply shortages resulting from various causes, including reduced yields by our suppliers, which prevented us from manufacturing products for our customers in a timely manner. Our revenues,

profitability and customer relations could be harmed by a stoppage or delay of supply, a substitution of more expensive or less reliable parts, the receipt of defective parts or contaminated materials, an increase in the price of supplies, or an inability to obtain 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 continue to experience, strain on our supply chain and periodic supplier problems. We have incurred, and expect to continue to incur for the foreseeable future, costs to address these problems.

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

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

We conduct operations in a number of countries, which creates logistical and communications challenges for us and exposes us to other risks that could harm our business, financial condition and operating results.

The vast majority of our operations, including manufacturing and customer support, are located 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. Total revenues from the bill-to-location of customers outside of North America accounted for 46.2%, 52.1% and 51.8% of our total revenues for fiscal year 2016, fiscal year 2015 and fiscal year 2014, respectively. We expect that total revenues from the bill-to-location of customers outside of North America will continue to account for a significant portion of our total revenues. Our customers also depend on international sales, which further exposes us to the risks associated with international operations. In addition, our international operations and sales subject us to a variety of domestic and foreign trade regulatory requirements.

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 2016, Thailand was assessed as a medium-high political risk by AON Political Risk, a risk management, insurance and consulting firm. Any changes to tax regimes, laws, exchange controls or political action in Thailand may harm our business, financial condition and operating results.

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. Most recently, in May 2014, the Thai military took over the government in a coup, and it continues to rule the country today. It is unknown how long it may take for the current political situation to be resolved and for democracy to be restored, or what effects the current political situation may have on Thailand and the surrounding region. Any succession crisis in the Kingdom of Thailand could cause new or increased political instability, which could prevent shipments from entering or leaving the country and disrupt our ability to manufacture products in Thailand, and we could be forced to transfer our manufacturing activities to more stable, and potentially more costly, regions.

Further, the Thai government may raise the minimum wage standards for labor as in the past 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. A new regime could nationalize our business or otherwise seize our assets and any other future political instability could harm our business, financial condition and operating results.

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

We anticipate that we will continue to invest in our customized optics manufacturing facilities located in Fuzhou, China. Because these operations are located in the PRC, they are subject to greater political, legal and economic risks than the geographies in which the facilities of many of our competitors and customers are located. In particular, the political and economic climate in the PRC (both at national and regional levels) is fluid and unpredictable. In March 2016, AON Political Risk assessed the PRC as a medium political risk. A large part of the PRC's economy is still being operated under varying degrees of control by the PRC government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation, import and export tariffs, environmental regulations, land use rights, intellectual property and restrictions on foreign participation in the domestic market of various industries, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to change further. Any changes to the political, legal or economic climate in the PRC could harm our business, financial condition and operating results.

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

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

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. In some cases, consolidation among our customers has led to a reduction in demand for our services as customers acquired the capacity to manufacture products in-house.

Consolidation among our customers and their customers may continue and may adversely affect our business, financial condition and operating results in several ways. Consolidation among our customers and their customers may result in a smaller number of large customers whose size and purchasing power give them increased leverage that may result in, among other things, decreases in our average selling prices. In addition to pricing pressures, this consolidation may also reduce overall demand for our manufacturing services 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.

Unfavorable worldwide economic conditions may negatively affect our business, operating results and financial condition.

Volatility and disruption in the capital and credit markets, depressed consumer confidence, and negative global economic conditions have affected levels of business and consumer spending. Concerns about the potential default of various national bonds and debt backed by individual countries as well as the politics impacting these, could negatively impact the U.S. and global economies and adversely affect our financial results. In particular, Brexit and recent economic uncertainty in Europe has led to reduced demand in some of our customers’ optical communications product portfolios. Brexit could also lead to economic and legal uncertainty, including significant volatility in global stock markets and currency exchange rates, and increasingly divergent laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect our financial results. If economic conditions in Europe do not recover or if they continue to deteriorate, our operating results could be harmed.

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 results of operations 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 results of operations and financial condition.

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 source that they believe can fulfill all of their production requirements; (2) look to a second source for the manufacture of additional quantities of the products that we currently manufacture for them; (3) manufacture the products themselves; or (4) otherwise decide against using our services for their new products.

In February 2015, we expanded our manufacturing capacity with the purchase of land and a building in Santa Clara, California. In December 2015, we completed the purchase of land in Chonburi, Thailand and began construction of a new manufacturing facility on such land, which we expect to complete in September 2016. Should there be a major delay in construction beyond our estimated completion date, we may not have the capacity to meet our anticipated production requirements. 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 expand our manufacturing capacity and are unable to promptly utilize the additional space due to reduced demand for our services, an inability to win new projects, 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 detectible. The testing procedures of our customers are generally limited to the evaluation of the products that we manufacture under likely and foreseeable failure scenarios. For various reasons (including, among others, the occurrence of performance problems that are unforeseeable at the time of testing or that are detected only when products are fully deployed and operated under peak stress conditions), these products may fail to perform as expected after their initial acceptance by a customer.

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

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

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

As a manufacturer of products for the optics industry, we are required to meet certain certification standards, including the following: ISO9001 for Manufacturing Quality Management Systems; ISO14001 for Environmental Management Systems; TL9000 for Telecommunications Industry Quality Certification; ISO/TS16949 for Automotive Industry Quality Certification; ISO13485 for Medical Devices Industry Quality Certification; AS9100 for Aerospace Industry Quality Certification; and OHSAS18001 for Occupational Health and Safety Management Systems. We also maintain compliance with various additional standards imposed by the U.S. Food and Drug Administration, or FDA, with respect to the manufacture of medical devices.

Additionally, we are required to register with the FDA and other regulatory bodies and are subject to continual review and periodic inspection for compliance with 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, or TAPA, 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.

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, including Mr. Mitchell, and other key management and technical personnel, each of whom would be difficult to replace. We do not have key person life insurance or long-term employment contracts with any of our key personnel. The loss of any of our executive officers or key personnel or the inability to continue to attract qualified personnel could harm our business, financial condition and operating results.

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

The sale and manufacturing of products in certain states and countries may subject us to environmental laws and regulations. In addition, rules adopted by the U.S. Securities and Exchange Commission ("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, results of operations and financial condition. In addition, if we were found to be in violation of these laws, we could be subject to governmental fines, liability to our customers and damage to our reputation, which would also have a material adverse effect on our business, results of operations and financial condition.

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 results of operations. 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 were able to assert in this Annual Report on Form 10-K that our internal control over financial reporting was effective as of June 24, 2016, 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 United States, control deficiencies may periodically occur. For example, following an internal investigation by the Audit Committee of our Board of Directors in September 2014 concerning various accounting cut-off issues, we identified certain significant deficiencies in our internal control over financial reporting, which have been remediated. 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 the expenditure by us of additional financial and management resources. As a result, our shareholders could lose confidence in our financial reporting, which would harm our business and the market price of our ordinary shares.

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

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by tax authorities and to possible changes in law, which may have retroactive effect. Fabrinet (the "Cayman Islands Parent") is an exempted company incorporated in the Cayman Islands. We maintain manufacturing operations in Thailand, the PRC and the United States, any of which jurisdictions could assert tax claims against us. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes. Preferential tax treatment from the Thai government in the form of a corporate tax exemption is currently available to us through June 2020 on income generated from the manufacture of products at Pinehurst Building 6. 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. In addition, we benefit from reductions in corporate tax rates in Thailand for fiscal year 2013 onward.

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 taxation authorities are successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could become subject to interest and penalty charges, which may harm our business, financial condition and operating results.

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

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

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

Acquisitions are inherently risky, and we can provide no assurance that our previous or future acquisitions will be successful or will not harm our business, financial condition and operating results.

We may 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. We operate in a market, however, that makes our prospects difficult to evaluate. It is possible that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs. If this occurs, we may need additional financing to execute on our current or future business strategies.

Furthermore, if we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing shareholders. 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.

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 money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all, which could harm our business, financial condition and operating results.

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

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

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

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

related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our business, financial condition and operating results.

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

We are subject to governmental export and import controls in Thailand, the PRC, and the United States that may limit our business opportunities. Various countries regulate the import of certain technologies and have enacted laws that could limit our ability to export or sell the products we manufacture. The export of certain technologies from the United States 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.

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.

We have loan agreements for our long-term and short-term debt obligations, which contain financial ratio covenants that may limit management's discretion with respect to certain business matters. These covenants require us to maintain a specified debt-to-equity ratio, 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.

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 marketable securities as of June 24, 2016 are primarily investments in a fixed income portfolio, including corporate bonds and commercial paper, U.S. agency and U.S. Treasury securities, and sovereign and municipal 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 marketable securities with a maturity in excess of three years.

We regularly review our investment portfolio to determine if any security is other-than-temporarily impaired, which would require us to record an impairment charge in the period any such determination is made. In making this judgment, we evaluate, among other things, the duration and extent to which the fair value of a security is less than its cost; the financial condition of the issuer and any changes thereto; and our intent to sell, or whether we will more likely than not be required to sell, the security before recovery of its amortized cost basis. Our assessment on whether a security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular security.

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, 2016, we did not record any impairment charges associated with our investment portfolio of marketable securities, 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.

Energy price volatility may negatively impact our results of operations.

We, along with our suppliers and customers, rely on various energy sources in our manufacturing and transportation activities. Energy prices have been subject to increases and volatility caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events and government regulations. While 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 enough to 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.

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. Among other things, 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. Volatility and weakness 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 would 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, or PFIC, for U.S. federal income tax purposes for the taxable year 2016 or for the foreseeable future. However, despite our expectations, we cannot assure you that we will not be a PFIC for the taxable year 2016 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 are a PFIC, our U.S. investors will be subject to increased tax liabilities under U.S. tax laws and regulations and to burdensome reporting requirements.

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

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

- 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 you of an opportunity to sell your ordinary shares at a premium over prevailing market prices by discouraging third parties from seeking to acquire control of us in a tender offer or similar transaction.

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

Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Law (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are not as clearly established under statutes or judicial precedent as in jurisdictions in the United States. Therefore, you may have more difficulty in protecting your interests than would shareholders of a corporation incorporated in a jurisdiction in the United States, 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 this 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 United States, providing rights to receive payment in cash for the judicially determined value of the shares. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient.

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

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors.

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 United States. In addition, some of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons is located outside of the United States. As a result, it may be difficult to effect service of process within the United States upon these persons. It may also be difficult to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors who are not resident in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands, Thailand or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States 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 or such persons predicated upon the securities laws of the United States or any state.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our principal registered office is located at c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KYI-9005, Cayman Islands. We have facilities located in Thailand, the PRC, the United States and the Cayman Islands that are used for manufacturing and/or general administration purposes. The following table presents the approximate square footage of our facilities as of June 24, 2016:

Location	Owned/Leased	Approximate Square Footage
Pinehurst Campus, Bangkok, Thailand	Owned [(1)]	974,000 square feet
Fuzhou, Fujian, PRC	Leased [(2)]	301,000 square feet
Santa Clara, California, United States	Owned	72,000 square feet
Mountain Lakes, New Jersey, United States	Leased [(3)]	28,000 square feet
Grand Cayman, Cayman Islands	Leased [(4)]	1,700 square feet

(1) Certain buildings and the underlying land are encumbered by a mortgage that secures our debt obligations to TMB Bank Public Company Limited.

(2) The lease periods for the buildings located at this facility expire on September 30, 2018, September 30, 2020 and March 31, 2021, respectively.

(3) Leased until June 30, 2020.

(4) Leased until January 31, 2018.

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our ordinary shares are listed on the New York Stock Exchange under the symbol "FN". The following table sets forth, for the time periods indicated, the highest and lowest intraday sales prices of our ordinary shares as reported on the New York Stock Exchange.

Fiscal Year 2016	High	Low
Fourth Quarter (March 26, 2016—June 24, 2016)	$39.05	$29.78
Third Quarter (December 26, 2015—March 25, 2016)	$30.91	$21.29
Second Quarter (September 26, 2015—December 25, 2015)	$24.53	$17.88
First Quarter (June 27, 2015—September 25, 2015)	$20.98	$17.71

Fiscal Year 2015	High	Low
Fourth Quarter (March 28, 2015—June 26, 2015)	$20.72	$17.86
Third Quarter (December 27, 2014—March 27, 2015)	$19.97	$15.68
Second Quarter (September 27, 2014—December 26, 2014)	$18.50	$14.09
First Quarter (June 28, 2014—September 26, 2014)	$21.17	$13.57

The equity compensation plan information required by this item, which includes a summary of the number of outstanding equity awards granted to employees and directors, as well as the number of securities remaining available for future issuance, under our equity compensation plans as of June 24, 2016, is incorporated by reference to our Proxy Statement for our 2016 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended June 24, 2016.

Holders of Record

As of August 5, 2016, there were approximately 8 shareholders of record of our ordinary shares. Because many of our ordinary shares are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these record holders.

Dividends

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

Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

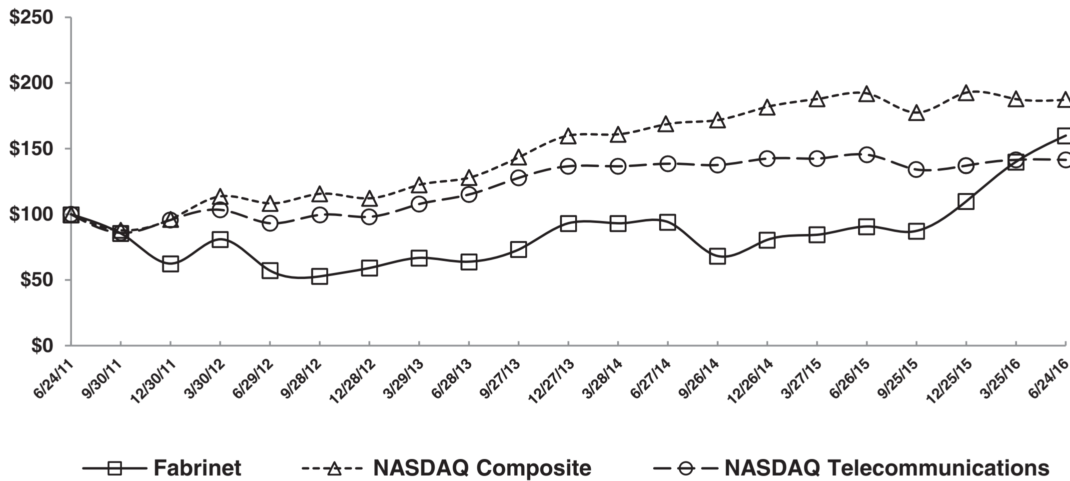
None.

Five-Year Performance Graph

The following performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Fabrinet under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total return to holders of Fabrinet's ordinary shares with the cumulative total return of the NASDAQ Composite Index, and the NASDAQ Telecommunications Index.

The graph assumes that $100 was invested on June 24, 2011 in Fabrinet's ordinary shares and on a month-end basis in each of the indices discussed above, including reinvestment of dividends. Historic stock performance is not necessarily indicative of future stock price performance.



ITEM 6. SELECTED FINANCIAL DATA.

The selected consolidated financial data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. The selected financial data set forth below at June 24, 2016 and June 26, 2015, and for the fiscal years ended June 24, 2016, June 26, 2015 and June 27, 2014 are derived from the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data at June 27, 2014, June 28, 2013 and June 29, 2012, and for the fiscal years ended June 28, 2013 and June 29, 2012 are derived from the audited consolidated financial statements not included in this Annual Report on Form 10-K. The results presented below are not necessarily indicative of financial results to be achieved in future periods.

	Years Ended				
(amount in thousands, except per share data)	**June 24, 2016 (fiscal year 2016)**	**June 26, 2015 (fiscal year 2015)**	**June 27, 2014 (fiscal year 2014)**	**June 28, 2013 (fiscal year 2013)**	**June 29, 2012 (fiscal year 2012)**
Selected Consolidated Statements of Operations Data:					
Revenues	$ 976,747	$ 773,587	$ 677,854	$ 641,542	$ 564,732
Cost of revenues	(857,224)	(685,814)	(603,621)	(572,124)	(502,818)
Gross profit	119,523	87,773	74,233	69,418	61,914
Selling, general and administrative expenses	(49,753)	(39,460)	(27,664)	(23,787)	(23,466)
Income (expense) related to flooding	36	—	44,748	27,211	(97,286)
Expenses related to reduction in workforce	—	(1,153)	—	(2,052)	(1,978)
Operating income (loss)	69,806	47,160	91,317	70,790	(60,816)
Interest income	1,535	1,253	1,793	1,083	844
Interest expense	(1,569)	(616)	(713)	(1,010)	(427)
Foreign exchange (loss) gain, net	(1,916)	(19)	(24)	354	1,569
Other income (expense)	376	(152)	797	692	395
Income (loss) before income taxes	68,232	47,626	93,170	71,909	(58,435)
Income tax (expense) benefit	(6,335)	(3,984)	(1,439)	(2,940)	1,968
Net income (loss)	61,897	43,642	91,731	68,969	(56,467)
Other comprehensive income (loss)	635	(44)	—	—	—
Net comprehensive income (loss)	$ 62,532	$ 43,598	$ 91,731	$ 68,969	$ (56,467)
Earnings (loss) per share:					
Basic	$ 1.73	$ 1.23	$ 2.63	$ 2.00	$ (1.64)
Diluted	$ 1.68	$ 1.21	$ 2.58	$ 1.98	$ (1.64)
Weighted average number of ordinary shares outstanding (thousands of shares)					
Basic	35,857	35,354	34,938	34,557	34,382
Diluted	36,872	35,984	35,589	34,846	34,382

	As of				
(amount in thousands)	**June 24, 2016**	**June 26, 2015**	**June 27, 2014**	**June 28, 2013**	**June 29, 2012**
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	$142,804	$112,978	$233,477	$149,716	$115,507
Marketable securities	$141,709	$142,866	$ —	$ —	$ —
Working capital [1]	$205,592	$150,246	$130,885	$130,298	$145,476
Total assets	$856,450	$672,503	$564,557	$463,579	$461,362
Current and long-term debt	$ 61,000	$ 40,500	$ 16,500	$ 28,911	$ 38,579
Total liabilities	$302,031	$193,559	$137,721	$138,261	$210,653
Total shareholders' equity	$554,419	$478,944	$426,836	$325,318	$250,709

[1] Working capital is defined as trade accounts receivable plus inventory, less trade accounts payable.

	Years Ended				
(amount in thousands)	**June 24, 2016**	**June 26, 2015**	**June 27, 2014**	**June 28, 2013**	**June 29, 2012**
Selected Consolidated Statements of Cash Flow Data:					
Net cash provided by operating activities	$ 47,088	$ 52,629	$66,550	$48,750	$ 2,251
Net cash (used in) provided by investing activities	$(39,603)	$(195,499)	$26,988	$ (5,862)	$(37,378)
Net cash provided by (used in) financing activities	$ 22,862	$ 22,537	$ (8,171)	$ (9,128)	$ 23,202
Net increase (decrease) in cash and cash equivalents	$ 30,347	$(120,333)	$85,367	$33,760	$(11,925)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our goals and strategies;
- our and our customers' estimates regarding future revenues, operating results, expenses, capital requirements and liquidity;
- our expectation that the portion of our future revenues attributable to customers in regions outside of North America will continue to decrease compared with the portion of those revenues for fiscal year 2016;
- our expectation that we will incur incremental costs of revenue as a result of our planned expansion of our business into new geographic markets;
- our expectation that our fiscal year 2017 selling, general and administrative ("SG&A") expenses will increase on an absolute dollar basis and decrease as a percentage of revenue compared with fiscal year 2016;
- our expectation that our employee costs will increase in Thailand and the People's Republic of China ("PRC");
- our future capital expenditures and our needs for additional financing;
- the expansion of our manufacturing capacity, including into new geographies;
- the growth rates of our existing markets and potential new markets;
- our ability, and the ability of our customers and suppliers, to respond successfully to technological or industry developments;
- our suppliers' estimates regarding future costs;
- our ability to increase our penetration of existing markets and to penetrate new markets;
- our plans to diversify our sources of revenues;
- trends in the optical communications, industrial lasers, and sensors markets, including trends to outsource the production of components used in those markets;
- our ability to attract and retain a qualified management team and other qualified personnel and advisors; and
- competition in our existing and new markets.

These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, in particular, the risks discussed under the heading "Risk Factors" in Item 1A, as well as those discussed in other documents we file with the Securities and Exchange Commission. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on these statements. "We", "us" and "our" refer to Fabrinet and its subsidiaries as a group.

Overview

We provide advanced optical packaging and precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers ("OEMs") of complex products such as optical communication components, modules and sub-systems, industrial lasers, medical devices, and sensors. We offer a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, complex printed circuit board assembly, advanced packaging, integration, final assembly and test. Although we focus primarily on low-volume production of a wide variety of high complexity products, which we refer to as "low-volume, high-mix", we also have the capability to accommodate high-volume production. Based on our experience, and the positive feedback we have received from our customers, we believe we are a global leader in providing these services to the optical communications, industrial lasers and automotive markets.

Our customer base includes companies in complex industries that require advanced precision manufacturing capabilities such as optical communications, industrial lasers, automotive, and sensors. The products that we manufacture for our OEM customers include selective switching products; tunable lasers, transceivers and transponders; active optical cables; solid state, diode, gas and fiber lasers; and sensors. In many cases, we are the sole outsourced manufacturing partner used by our customers for the products that we produce for them.

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

Flooding

During the week of August 10, 2015, our subsidiary in China temporarily suspended production in its manufacturing facility due to flooding caused by Typhoon Soudelor and resumed operations on August 15, 2015. During the year ended June 24, 2016, we recognized income related to flooding of $0.04 million, which consisted of a $0.90 million final payment from an insurer against our claim for flood damage, offset by expenses in relation to flood of $0.86 million, which mainly consisted of $0.6 million of repaired cost of equipment and $0.2 million of inventory losses.

During the year ended June 27, 2014, we recognized income related to severe flooding in Thailand during fiscal year 2012 of $44.7 million, which consisted of a $45.2 million final payment from our insurers against our claims for owned and consigned equipment and inventory, offset by $0.5 million of other expenses from write-offs of advance payments to a customer due to flood-related losses.

Revenues

Our total revenues increased by $203.2 million, or 26.3%, to $976.7 million for fiscal year 2016, compared with $773.6 million for fiscal year 2015. This increase was primarily due to (1) an increase in our customers' demand for both optical and non-optical communications manufacturing services during fiscal year 2016 and (2) our inability to recognize $16.5 million of consignment revenues during fiscal year 2015 because of certain consignment revenue recognition issues previously disclosed that resulted in lower revenue in fiscal year 2015. We refer to finished goods held in our warehouse on behalf of our customers as consignment goods or consignment inventory, and when the finished goods are sold, we refer to the related revenue as consignment revenue.

We believe our ability to expand our relationships with existing customers and attract new customers is due to a number of factors, including our broad range of complex engineering and manufacturing service offerings, flexible low-cost manufacturing platform, process optimization capabilities, advanced supply chain management,

excellent customer service and experienced management team. Although we expect the prices we charge for our manufactured products to decrease over time (partly as a result of competitive market forces), we still believe we will be able to maintain favorable pricing for our services because of our ability to reduce cycle time, adjust our product mix by focusing on more complicated products, improve product quality and yields, and reduce material costs for the products we manufacture. We believe these capabilities will enable us to help our OEM customers reduce their manufacturing costs while maintaining or improving the design, quality, reliability and delivery times of their products.

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

	Years Ended		
	June 24, 2016	June 26, 2015	June 27, 2014
Lumentum Operations LLC	20%	20%	24%
Oclaro, Inc.	*(1)	10%	22%

(1) Less than 10% of total revenue.

During fiscal year 2016, we had one customer that contributed 10% or more of our total revenues and such customer accounted for 20% of our total revenues during the period. During fiscal year 2015 and fiscal year 2014, we had two customers that each contributed 10% or more of our total revenues, and such customers together accounted for 30% and 46%, respectively, of our total revenues during the respective periods.

Because we depend upon a small number of customers for a significant percentage of our total revenues, a reduction in orders from, a loss of, or any other adverse actions by, any one of these customers would reduce our revenues and could have a material adverse effect on our business, operating results and share price. Moreover, our customer concentration increases the concentration of our accounts receivable and payment default by any of our key customers will negatively impact our exposure. 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 continued uncertainty in the global economies. Certain customers have gone out of business or have 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. Therefore, any financial difficulties that our key customers experience could materially and adversely affect our operating results and financial condition by generating charges for inventory write-offs, provisions for doubtful accounts, and increases in working capital requirements due to increased days inventory and in accounts receivable.

Furthermore, reliance on a small number of customers gives those customers substantial purchasing power and leverage in negotiating contracts with us. In addition, although we enter into master supply agreements with our customers, the level of business to be transacted under those agreements is not guaranteed. Instead, we are awarded business under those agreements on a project-by-project basis. Some of our customers have at times significantly reduced or delayed the volume of manufacturing services that they order from us. If we are unable to maintain our relationships with our existing significant customers, our business, financial condition and operating results could be harmed.

Revenues by Geography

We generate revenues from three geographic regions: North America, Asia-Pacific, and Europe. Revenues are attributed to a particular geographic area based on the bill-to-location of our customers, notwithstanding that our customers may ultimately ship their products to end customers in a different geographic region. Our revenues are mostly derived from our manufacturing facilities in Asia-Pacific.

The percentage of our revenues generated from a bill-to-location outside of North America, consisting of Asia-Pacific and Europe, decreased from 52.1% in fiscal year 2015 to 46.2% in fiscal year 2016, primarily because of a decrease in sales volumes of our customers in those regions. We expect that the portion of our future revenues attributable to customers in regions outside of North America will decrease as compared with fiscal year 2016.

The following table presents percentages of total revenues by geographic regions:

	Years Ended		
	June 24, 2016	June 26, 2015	June 27, 2014
North America	53.8%	47.9%	48.2%
Asia-Pacific	35.9	40.1	34.0
Europe	10.3	12.0	17.8
	100.0%	100.0%	100.0%

Our Contracts

We enter into supply agreements with our customers which generally have an initial term of up to three years, subject to automatic renewals for subsequent one-year terms unless expressly terminated. Although there are no minimum purchase requirements in our supply agreements, our customers do provide us with rolling forecasts of their demand requirements. Our supply agreements generally include provisions for pricing and periodic review of pricing, consignment of our customer's unique production equipment to us, and the sharing of benefits from cost-savings derived from our efforts. We are generally required to purchase materials, which may include long lead-time materials and materials that are subject to minimum order quantities and/or non-cancelable or non-returnable terms, to meet the stated demands of our customers. After procuring materials, we manufacture products for our customers based on purchase orders that contain terms regarding product quantities, delivery locations and delivery dates. Our customers are generally obligated to purchase finished goods that we have manufactured according to their demand requirements. Materials that are not consumed by our customers within a specified period of time, or are no longer required due to a product's cancellation or end-of-life, are typically designated as excess or obsolete inventory under our contracts. Once materials are designated as either excess or obsolete inventory, our customers are typically required to purchase such inventory from us even if they have chosen to cancel production of the related products.

Cost of Revenues

The key components of our cost of revenues are material costs, employee costs and infrastructure-related costs. Material costs generally represent the majority of our cost of revenues. Several of the materials we require to manufacture products for our customers are customized for their products and often sourced from a single supplier or in some cases, our own subsidiaries. Shortages from sole-source suppliers due to yield loss, quality concerns and capacity constraints, among other factors, may increase our expenses and negatively impact our gross profit margin or total revenues in a given quarter. Material costs include scrap material. Historically, scrap rate diminishes during a product's life cycle due to process, fixturing and test improvement and optimization.

A second significant element of cost of revenues is employee costs, including indirect employee costs related to design, configuration and optimization of manufacturing processes for our customers, quality testing, materials testing and other engineering services; and direct costs related to our manufacturing employees. Direct employee costs include employee salaries, insurance and benefits, merit-based bonuses, recruitment, training and retention. Historically, our employee costs have increased primarily due to increases in the number of employees necessary to support our growth and, to a lesser extent, costs for recruitment, training and retention of employees. Our cost of revenues are significantly impacted by salary levels in Thailand and the PRC, the fluctuation of the Thai baht and Chinese renminbi ("RMB") against our functional currency, the U.S. dollar, and our ability to

retain our employees. We expect our employee costs to increase as wages continue to increase in Thailand and the PRC. Wage increases may impact our ability to sustain our competitive advantage and may reduce our profit margin. We seek to mitigate these cost increases through improvements in employee productivity, employee retention and asset utilization.

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

During fiscal year 2016, fiscal year 2015 and fiscal year 2014, discretionary merit-based bonus awards were provided to our non-executive employees. Charges included in cost of revenues for bonus distributions to such employees were $2.8 million, $2.4 million and $1.9 million for fiscal year 2016, fiscal year 2015 and fiscal year 2014, respectively.

Share-based compensation expense included in cost of revenues was $2.0 million, $1.5 million and $1.2 million for fiscal year 2016, fiscal year 2015 and fiscal year 2014, respectively.

We expect to incur incremental costs of revenue as a result of our planned expansion into new geographic markets, though we are not able to determine the amount of these incremental expenses.

Selling, General and Administrative Expenses

Our SG&A expenses primarily consist of corporate employee costs for sales and marketing, general and administrative and other support personnel, including research and development expenses related to the design of customized optics and glass, travel expenses, legal and other professional fees, share-based compensation expense and other general expenses not related to cost of revenues. In fiscal year 2017, we expect our SG&A expenses will increase on an absolute dollar basis and decrease as a percentage of revenue compared with fiscal year 2016.

The compensation committee of our board of directors approved a fiscal year 2016 executive incentive plan with quantitative objectives, based on achieving certain revenue and non-GAAP earnings per share targets for our fiscal year ended June 24, 2016, as well as qualitative objectives, based on achieving individual performance goals. Bonuses under our fiscal year 2016 executive incentive plan are payable at the end of fiscal year 2016. In fiscal year 2015, the compensation committee approved a fiscal year 2015 executive incentive plan with quantitative objectives, based on achieving certain revenue and gross margin percentage targets for our fiscal year ended June 26, 2015, as well as qualitative objectives, based on achieving individual performance goals. In the three months ended September 25, 2015, the compensation committee awarded bonuses to our executive employees for Company and individual achievements of performance under our fiscal year 2015 executive incentive plan. Discretionary merit-based bonus awards were also available to our non-executive employees and were payable as of June 24, 2016.

Charges included in SG&A expenses for bonus distributions to non-executive and executive employees were $4.7 million, $3.6 million and $3.1 million for fiscal year 2016, fiscal year 2015 and fiscal year 2014, respectively.

Share-based compensation expense included in SG&A expenses was $7.9 million, $6.6 million and $4.4 million for fiscal year 2016, fiscal year 2015 and fiscal year 2014, respectively.

Additional Financial Disclosures

Foreign Exchange

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

In addition, we are exposed to foreign exchange risk in connection with the credit facility and cross currency swap arrangements we entered into with TMB Bank Public Company Limited ("the Bank") in May 2011 for the construction of a building at our Pinehurst Campus in Thailand. The terms of the contract with the Bank provide the following facilities: (1) a term loan facility for up to Thai baht 960 million (equal to $30.0 million) with a fixed interest rate of 5.28% per annum, (2) a hedging facility for currency interest rate swaps with a notional amount of $30.0 million, and (3) a settlement limit of Thai baht 65 million, subject to certain terms and conditions as set forth therein. As of March 30, 2012, we had drawn down the entire $30.0 million available under the term loan facility. Borrowings and interest under the term loan have been scheduled to be repaid on a quarterly basis between September 2011 and March 2017. As of June 24, 2016 and June 26, 2015, we had outstanding borrowings under the term loan facility of $4.5 million and $10.5 million, respectively. Under the terms of the cross currency swap arrangement amounts drawn in Thai baht were converted to U.S. dollars for repayment by us on a quarterly basis at the floating rate of 3-month London Interbank Offered Rate ("LIBOR") plus 2.8% per annum.

In order to manage the risks arising from fluctuations in foreign currency exchange rates, we use derivative instruments. We may enter into exchange currency forward or put option contracts to manage foreign currency exposures associated with certain assets and liabilities and other forecasted foreign currency transactions and may designate these instruments as hedging instruments. These forward and put option contracts generally have maturities of up to six months. Foreign currency exchange contracts are recognized in the consolidated balance sheets as other current assets or accrued expenses at fair value. Gain or loss on our forward and put option contracts generally offset the assets, liabilities and transactions economically hedged.

We had foreign currency assets and liabilities in Thai baht and RMB as follows:

	As of June 24, 2016			As of June 26, 2015		
(amount in thousands, except percentages)	Currency	$	%	Currency	$	%
Assets						
Thai baht	834,536	$23,594	91.3	377,785	$11,596	51.3
RMB	14,835	2,255	8.7	67,455	11,029	48.7
Total		$25,849	100.0		$22,625	100.0
Liabilities						
Thai baht	1,517,782	$42,912	92.0	860,425	$26,410	88.8
RMB	24,654	3,748	8.0	20,461	3,347	11.2
Total		$46,660	100.0		$29,757	100.0

The Thai baht assets represent cash and cash equivalents, trade accounts receivable, deposits and other current assets. The Thai baht liabilities represent trade accounts payable, accrued expenses and other payables. We manage our exposure to fluctuations in foreign exchange rates by the use of foreign currency contracts and

offsetting assets and liabilities denominated in the same currency in accordance with management's policy. As of June 24, 2016 and June 26, 2015, there were $84.5 million in forward contracts and $41.0 million in put option contracts outstanding on the Thai baht payables, respectively.

The RMB assets represent cash and cash equivalents, accounts receivable, and other current assets. The RMB liabilities represent trade accounts payable, accrued expenses and other payables. As of June 24, 2016 and June 26, 2015, we did not have any outstanding selling RMB to U.S. dollar forward contracts.

For fiscal year 2016 and fiscal year 2015, we recorded unrealized loss of $1.8 million and $0.4 million, respectively, related to derivatives that are not designated as hedging instruments in our consolidated statements of operations and comprehensive income.

Currency Regulation and Dividend Distribution

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

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

Under the Exchange Rules, RMB is freely convertible into foreign currencies for current account items, including the distribution of dividends, interest payments, and trade and service-related foreign exchange transactions. However, conversion of RMB for capital account items, such as direct investments, loans, security investments and repatriation of investments, is still subject to the approval of SAFE.

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

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

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

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

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

Income Tax

Our effective tax rate is a function of the mix of tax rates in the various jurisdictions in which we do business. We are domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax in the Cayman Islands on income or capital gains. We have received this undertaking for a 20-year period ending August 24, 2019, and after the expiration date we may request a renewal with the office of the Clerk of the Cabinet for another twenty years.

Throughout the period of our operations in Thailand, we have generally received income tax and other incentives from the Thailand Board of Investment. Preferential tax treatment from the Thai government in the form of a corporate tax exemption is currently available to us through June 2020 on income generated from the manufacture of products at Pinehurst Building 6. 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. In December 2011, the Thailand Revenue Department announced a reduction in corporate income tax rates for tax periods beginning on or after January 1, 2012. As a result of the announcement, corporate income tax rates for our Thai subsidiary were reduced from 23% in fiscal year 2013 to 20% in fiscal years 2014 through 2016. Additionally, in March 2016, the Thailand Revenue Department announced a permanent decrease of corporate income tax rates to 20% for tax periods beginning on or after January 1, 2016. As a result, corporate income tax rates for our Thai subsidiary remain at 20% from fiscal year 2017 onwards.

Our subsidiary in China had been granted a tax privilege to reduce its corporate income tax rate from 25% to 15% but the privilege expired on December 31, 2013. As a result, the corporate income tax rates for our subsidiary in China have been 25% since January 1, 2014.

Critical Accounting Policies and Use of Estimates

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

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

Revenue Recognition

We recognize revenue when it is realized or realizable and earned. We consider revenue realized or realizable and earned when there is persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery does not occur until products have been shipped or services have been provided, risk of loss has transferred and in cases where formal acceptance is required, customer acceptance has been obtained or customer acceptance provisions have lapsed. In situations where a formal acceptance is required but the acceptance only relates to whether the product meets its published specifications, revenue is recognized upon shipment provided all other revenue recognition criteria are met. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved.

We reduce revenue for rebates and other similar allowances. Revenue is recognized only if these estimates can be reliably determined. Our estimates are based on historical results taking into consideration the type of customer, the type of transaction, and the specifics of each arrangement.

In addition to the aforementioned general policies, certain customers may request us to store finished products purchased by them at the Company's warehouse. In these instances, we receive a written request from the customer asking us to hold the inventory at our warehouse and the ordered goods are segregated in our warehouse from other inventory and cannot be used to fulfil other customer orders. In these situations, revenue is only recognized when persuasive evidence of the sales arrangement exists, the goods are completed and ready for shipment, pricing is fixed or determinable, collection is reasonable assured, and title and risk of loss have passed to the customer.

Income Related to Flooding

We estimated flood-related losses based on the net book value of the assets written-off as a result of the flooding. Flood-related losses to consigned equipment and inventory were estimated based on discussions with our customers regarding their assessments of the damage to, and valuation of, the consigned assets that were under our care, custody and control.

In fiscal year 2016, we recognized income related to flooding of $0.04 million, which consisted of a $0.90 million final payment from an insurer against our claim for flood damage at our subsidiary in China, offset by expenses in relation to flooding of $0.86 million, which mainly consisted of $0.6 million of repaired cost of equipment and $0.2 million of inventory losses.

In fiscal year 2014, we recognized income related to flooding of $44.7 million, which consisted of a $45.2 million final payment from our insurers against our claims for owned and consigned equipment and inventory, offset by $0.5 million of other expenses from write-offs of advance payments to a customer due to flood-related losses in Thailand.

Long-Lived Assets

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

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our customers' financial condition and make provisions for doubtful accounts based on the outcomes of these credit evaluations. We evaluate the collectability of our

accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections, and the age of past due receivables. Unanticipated changes in the liquidity or financial position of our customers may require additional provisions for doubtful accounts. Under our specific identification method, it is not practical to assess the sensitivity of our estimates.

Inventory Valuation

Our inventory is stated at the lower of cost (on a first-in, first-out basis) or market value. Our industry is characterized by rapid technological change, short-term customer commitments, and rapid changes in demand. We make provisions for estimated excess and obsolete inventory based on regular reviews of inventory quantities on hand and the latest forecasts of product demand and production requirements from our customers. If actual market conditions or our customers' product demands are less favorable than those projected, additional provisions may be required. In addition, unanticipated changes in liquidity or the financial positions of our customers or changes in economic conditions may require additional provisions for inventory due to our customers' inability to fulfill their contractual obligations. During fiscal year 2016 and fiscal year 2015, a change of 10% for excess and obsolete materials, based on product demand and production requirements from our customers, would have affected our net income by approximately $0.2 million and $0.3 million, respectively.

Deferred Income Taxes

Our deferred income tax assets represent temporary differences between the carrying amount and the tax basis of existing assets and liabilities that will result in deductible and payable amounts in future years, including net operating loss carryforwards. Based on estimates, the carrying value of our net deferred tax assets assumes that it is more likely than not that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize these deferred income tax assets. Our judgments regarding future profitability may change owing to future market conditions, changes in U.S. or international tax laws, or other factors. If these estimates and related assumptions change in the future, we may be required to increase or decrease our valuation allowance against the deferred tax assets, resulting in additional or lesser income tax expense. As of June 24, 2016 and June 26, 2015, we have determined that it is more likely than not that deferred tax asset attributable to a subsidiary in the United States will not be realized, primarily due to uncertainties related to the subsidiary's ability to utilize its operating loss carryforward before they expire. As of June 24, 2016 and June 26, 2015, we assessed all of our deferred tax assets as more likely than not to be realizable and, accordingly, recognized a valuation allowance for deferred tax asset of $4.9 million and $1.0 million, respectively.

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

Share-Based Compensation

Awards granted, including share options and restricted share units, are accounted for by recognizing the cost of employee services received in exchange for awards of equity instruments, based on the fair value of those awards, in the consolidated financial statements over the requisite service period.

In determining the fair value of share option awards, we are required to make estimates of expected dividends to be issued, expected volatility of our shares, expected forfeitures of the awards, risk free interest rates for the expected terms of the awards and expected terms of the awards.

For accounting purposes only, the fair value of each option grant is estimated using the Black-Scholes-Merton option pricing model, which takes into account the following factors: (1) the exercise price of the options; (2) the fair value of the underlying ordinary shares; (3) the expected life of the options; (4) the expected

volatility of the underlying ordinary shares; (5) the risk-free interest rate during the expected life of the options; and (6) the expected dividend yield of the underlying ordinary shares. However, these fair values are inherently uncertain and highly subjective.

The exercise price of the options is stated in the option agreements. The expected life of the options involves estimates of the anticipated timing of the exercise of the vested options. The expected volatility is based on the historical volatility of our share price. We have applied the U.S. Treasury Bill interest rate with a maturity date similar to the expected life of our options as the risk-free interest rate and assumed a dividend yield for periods when we paid dividends.

The fair value of restricted share units is based on the market value of our ordinary shares on the date of grant.

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

Results of Operations

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

	Years Ended		
	June 24, 2016	**June 26, 2015**	**June 27, 2014**
Revenues	$ 976,747	$ 773,587	$ 677,854
Cost of revenues	(857,224)	(685,814)	(603,621)
Gross profit	119,523	87,773	74,233
Selling, general and administrative expenses	(49,753)	(39,460)	(27,664)
Income related to flooding	36	—	44,748
Expenses related to reduction in workforce	—	(1,153)	—
Operating income	69,806	47,160	91,317
Interest income	1,535	1,253	1,793
Interest expense	(1,569)	(616)	(713)
Foreign exchange loss, net	(1,916)	(19)	(24)
Other income (expense)	376	(152)	797
Income before income taxes	68,232	47,626	93,170
Income tax expense	(6,335)	(3,984)	(1,439)
Net income	61,897	43,642	91,731
Other comprehensive income (loss)	635	(44)	—
Net comprehensive income	$ 62,532	$ 43,598	$ 91,731

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

	Years Ended		
	June 24, 2016	June 26, 2015	June 27, 2014
Revenues	100.0%	100.0%	100.0%
Cost of revenues	(87.8)	(88.6)	(89.1)
Gross profit	12.2	11.4	10.9
Selling, general and administrative expenses	(5.1)	(5.1)	(4.1)
Income related to flooding	(0.0)	—	6.6
Expenses related to reduction in workforce	—	(0.2)	—
Operating income	7.1	6.1	13.4
Interest income	0.2	0.2	0.3
Interest expense	(0.1)	(0.1)	(0.1)
Foreign exchange loss, net	(0.2)	(0.0)	(0.0)
Other income (expense)	0.0	(0.0)	0.1
Income before income taxes	7.0	6.2	13.7
Income tax expense	(0.7)	(0.5)	(0.2)
Net income	6.3	5.6	13.5
Other comprehensive income (loss)	0.1	(0.0)	—
Net comprehensive income	6.4%	5.6%	13.5%

The following table sets forth our revenues by end market for the periods indicated. As necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	Years Ended		
(amount in thousands)	June 24, 2016	June 26, 2015	June 27, 2014
Optical communications	$727,580	$553,245	$484,071
Lasers, sensors, and other	249,167	220,342	193,783
Total	$976,747	$773,587	$677,854

We operate and internally manage a single operating segment. As such, discrete information with respect to separate product lines and segments is not accumulated.

Comparison of Fiscal Year 2016 with Fiscal Year 2015

Total revenues. Our total revenues increased by $203.2 million, or 26.3%, to $976.7 million for fiscal year 2016, compared with $773.6 million for fiscal year 2015. This increase was primarily due to (1) an increase in customers' demand for both optical and non-optical communication manufacturing services for fiscal year 2016 and (2) our inability to recognize $16.5 million of consignment revenue during fiscal year 2015 because of certain consignment revenue recognition issues previously disclosed that resulted in lower revenue in fiscal year 2015. Revenues from optical communications products represented 74.5% of our total revenues for fiscal year 2016, compared with 71.5% for fiscal year 2015.

Cost of revenues. Our cost of revenues increased by $171.4 million, or 25.0%, to $857.2 million, or 87.8% of total revenues, for fiscal year 2016, compared with $685.8 million, or 88.6% of total revenues, for fiscal year 2015. The increase in cost of revenues on an absolute dollar basis was primarily due to an increase in sales volume, which was partially offset by a more favorable product mix. Cost of revenues also included non-cash share-based compensation expense of $2.0 million for fiscal year 2016, compared with $1.5 million for fiscal year 2015.

Gross profit. Our gross profit increased by $31.8 million, or 36.2%, to $119.5 million, or 12.2% of total revenues, for fiscal year 2016, compared with $87.8 million, or 11.4% of total revenues, for fiscal year 2015. The increase in gross profit margin during fiscal year 2016, compared with fiscal year 2015, was primarily related to an increase in sales volume and more favorable product mix during fiscal year 2016.

SG&A expenses. Our SG&A expenses increased by $10.3 million, or 26.1%, to $49.8 million, or 5.1% of total revenues, for fiscal year 2016, compared with $39.5 million, or 5.1% of total revenues, for fiscal year 2015. Our SG&A expenses increased in absolute dollars during fiscal year 2016, compared with fiscal year 2015, mainly due to (1) an increase of $4.6 million in expenses relating to our new manufacturing facility in the United States which commenced operations during the third quarter of fiscal year 2015; (2) the recognition of $1.4 million in severance and related benefit costs to executives who left the Company during fiscal year 2016; (3) an increase of $1.3 million in sales and marketing expenses; and (4) an increase of $1.0 million in executive and management bonuses, salaries, and other benefits.

Other income related to flooding. In fiscal year 2016, we recognized other income related to flooding of $0.04 million, which consisted of a $0.90 million final payment from an insurer against our claim for flood damage, offset by expenses in relation to flood of $0.86 million, which mainly consisted of $0.6 million of repaired cost of equipment and $0.2 million of inventory losses.

Expenses related to reduction in workforce. During fiscal year 2015, we implemented a reduction in workforce and incurred expenses of approximately $1.2 million, which represented severance and benefits costs associated with the termination of approximately 100 employees in accordance with contractual obligations and local regulations.

Operating income. Our operating income increase by $22.6 million to $69.8 million, or 7.1% of total revenues, for fiscal year 2016, compared with $47.2 million, or 6.1% of total revenues, for fiscal year 2015.

Interest income. Our interest income increased by $0.3 million to $1.5 million for fiscal year 2016, compared with $1.3 million for fiscal year 2015. This increase mainly was due to increases in the amount on which interest is earned as well as an increase in interest rates.

Interest expense. Our interest expense increased by $1.0 million to $1.6 million for fiscal year 2016, compared with $0.6 million for fiscal year 2015. This increase was due to increases in average loan balances resulting from drawdown of revolving loans during the year.

Income before income taxes. We recorded income before income taxes of $68.2 million for fiscal year 2016, compared with $47.6 million for fiscal year 2015.

Income tax expense. Our provision for income tax reflects an effective tax rate of 6.7% for fiscal year 2016, compared with an effective tax rate of 6.3% for fiscal year 2015. The increase was primarily due to the fact that we had higher taxable income during fiscal year 2016 as compared with fiscal year 2015.

Net income. We recorded net income of $61.9 million, or 6.3% of total revenues, for fiscal year 2016, compared with net income of $43.6 million, or 5.6% of total revenues, for fiscal year 2015.

Other comprehensive income (loss). We recorded other comprehensive income of $0.6 million, or 0.1% of total revenue, for fiscal year 2016, compared with other comprehensive loss of $0.04 million, or 0.01% of total revenue, for fiscal year 2015.

Comparison of Fiscal Year 2015 with Fiscal Year 2014

Total revenues. Our total revenues increased by $95.7 million, or 14.1%, to $773.6 million for fiscal year 2015, compared with $677.9 million for fiscal year 2014. This increase was due to an increase in customers'

demand for both optical and non-optical communication manufacturing services during fiscal year 2015, offset by $16.5 million of consignment revenues that we were unable to recognize in fiscal year 2015. Revenues from optical communications products represented 71.5% of our total revenues for fiscal year 2015, compared with 71.4% for fiscal year 2014.

Cost of revenues. Our cost of revenues increased by $82.2 million, or 13.6%, to $685.8 million, or 88.6% of total revenues, for fiscal year 2015, compared with $603.6 million, or 89.1% of total revenues, for fiscal year 2014. The increase in cost of revenues on an absolute dollar basis was primarily due to an increase in sales volume, partially offset by a favorable product mix. Cost of revenues also included non-cash share-based compensation expense of $1.5 million for fiscal year 2015, compared with $1.2 million for fiscal year 2014.

Gross profit. Our gross profit increased by $13.5 million, or 18.2%, to $87.8 million, or 11.4% of total revenues, for fiscal year 2015, compared with $74.2 million, or 11.0% of total revenues, for fiscal year 2014. The slight increase in gross profit margin during fiscal year 2015, compared with fiscal year 2014, was primarily related to an increase in revenues resulting from increases in both optical and non-optical products sales volume, as well as a favorable product mix.

SG&A expenses. Our SG&A expenses increased by $11.8 million, or 42.6%, to $39.5 million, or 5.1% of total revenues, for fiscal year 2015, compared with $27.7 million, or 4.1% of total revenues, for fiscal year 2014. Our SG&A expenses increased both in absolute dollars and as a percentage of revenue during fiscal year 2015, compared with fiscal year 2014, mainly due to (1) an increase of $2.8 million in costs related to an internal investigation by our Audit Committee; (2) an increase of $1.3 million in accrued executive salaries and other benefits; (3) an increase of $2.2 million in share-based compensation expense; (4) an increase of $2.9 million in pre-operating expenses of our subsidiary's new facility in the United States; (5) an increase of $0.7 million in post-retirement benefits in fiscal year 2015 due to an increase in the number of employees; and (6) an increase of $0.9 million in expenses related to business development.

Income related to flooding. In fiscal year 2014, we recognized income related to flooding of $45.2 million, which consisted of a payment from our insurers against our claim for owned and customer-owned equipment and inventory, offset by $0.5 million of other expenses from write-offs of advance payments to a customer due to flood-related losses.

Expenses related to reduction in workforce. During fiscal year 2015, we implemented a reduction in workforce and incurred expenses of approximately $1.2 million, which represented severance and benefits costs associated with the termination of approximately 100 employees in accordance with contractual obligations and local regulations.

Operating income. Our operating income decreased by $44.2 million to $47.2 million, or 6.1% of total revenues, for fiscal year 2015, compared with $91.3 million, or 13.5% of total revenues, for fiscal year 2014.

Interest income. Our interest income decreased by $0.5 million to $1.3 million for fiscal year 2015, compared with $1.8 million for fiscal year 2014. This decrease was due to a decrease in interest rates of bank deposits and the short-term investment in marketable securities.

Interest expense. Our interest expense decreased by $0.1 million to $0.6 million for fiscal year 2015, compared with $0.7 million for fiscal year 2014. This decrease was due to decreases in our average long-term loan balances resulting from principal repayments during fiscal year 2014.

Income before income taxes. We recorded income before income taxes of $47.6 million for fiscal year 2015, compared with $93.2 million for fiscal year 2014.

Income tax expense. Our provision for income tax reflects an effective tax rate of 8.3% for fiscal year 2015, compared with an effective tax rate of 1.5% for fiscal year 2014. The increase was primarily due to the fact that

the income tax rate of our subsidiary in China increased from 15% to 25% commencing the quarter ended March 28, 2014 due to the expiration of a tax privilege, as well as the reversal of liability for uncertain tax positions, including accrued interest of $1.5 million during fiscal year 2014 and the fact that we had higher taxable income during fiscal year 2015, as compared with fiscal year 2014 due to the income related to flooding of $44.7 million that was not subjected to income tax.

Net income. We recorded net income of $43.6 million, or 5.6% of total revenues, for fiscal year 2015, compared with net income of $91.7 million, or 13.5% of total revenues, for fiscal year 2014.

Other comprehensive loss. We recorded other comprehensive loss related to accumulated net unrealized loss on available-for-sale investments of $0.04 million for fiscal year 2015.

Liquidity and Capital Resources

We primarily finance our operations through cash flow from operations activities. As of June 24, 2016 and June 26, 2015, we had cash, cash equivalents, and marketable securities of $284.5 million and $255.8 million, respectively, and outstanding debt of $61.0 million and $40.5 million, respectively.

Our cash and cash equivalents, which primarily consist of cash on hand, demand deposits and liquid investments with maturities of three months or less, are placed with banks and other financial institutions. The weighted average interest rate on our cash and cash equivalents for fiscal year 2016, fiscal year 2015 and fiscal year 2014 was 0.7%, 0.7% and 1.0%, respectively.

Our cash investments are made in accordance with an investment policy approved by the Audit Committee of our Board of Directors. In general, our investment policy requires that securities purchased be rated A1, P-1, F1 or better. No security may have an effective maturity that exceeds three years. Our investments in fixed income securities are primarily classified as available-for-sale securities and are recorded at fair value in the consolidated balance sheets. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on these securities are recorded as other comprehensive income (loss) and are reported as a separate component of shareholders' equity.

During fiscal year 2016, we borrowed a term loan of $50.0 million and repaid a revolving loan of $37.5 million under our Facility Agreement. As a result, as of June 24, 2016, we had a long-term borrowing of $50.0 million and short-term borrowing of $6.5 million under our Facility Agreement. To better manage our cash on hand, we also held investments in short-term marketable securities of $ 141.7 million as of June 24, 2016.

We believe that our current cash, cash equivalents, marketable securities, cash flow from operations, and funds available through our credit facility will be sufficient to meet our working capital and capital expenditure needs for the next 12 months. Our ability to sustain our working capital position is subject to a number of risks that we discuss in Item 1A of this Annual Report on Form 10-K.

In December 2015, we began construction of a new manufacturing facility at our Chonburi Campus, which we expect to complete in September 2016. We believe that our current manufacturing capacity, including our new facility in the United States, is sufficient to meet anticipated production requirements for at least the next few quarters. Should there be a major delay in construction beyond our estimated completion date, we may not have the capacity to meet our anticipated production requirements. We maintain a long-term credit facility associated with construction of production facilities at our Pinehurst Campus in Thailand that will come due within the next nine months. We also have a sufficient credit facility in place to fund the remaining amount needed to construct a new manufacturing facility at our Chonburi Campus. We anticipate that our internally generated working capital, together with our cash and cash equivalents will be adequate to repay this obligation.

The following table presents our cash flows for the periods indicated:

(amount in thousands)	Years Ended June 24, 2016	June 26, 2015	June 27, 2014
Net cash provided by operating activities	$ 47,088	$ 52,629	$ 66,550
Net cash (used in) provided by investing activities	$ (39,603)	$(195,499)	$ 26,988
Net cash provided by (used in) financing activities	$ 22,862	$ 22,537	$ (8,171)
Net increase (decrease) in cash and cash equivalents	$ 30,347	$(120,333)	$ 85,367
Cash and cash equivalents, beginning of period	$112,978	$ 233,477	$149,716
Cash and cash equivalents, end of period	$142,804	$ 112,978	$233,477

Operating Activities

Net cash provided by operating activities decreased by $5.5 million, or 10.5%, to $47.1 million for fiscal year 2016, compared with net cash provided by operating activities of $52.6 million for fiscal year 2015. This decrease was due to a number of factors, including an increase in net income of $18.3 million, a decrease of $35.8 million in cash payment to vendors, offset by a decrease of $27.2 million in cash collection from customers and a decrease of $44.2 million in inventory as a result of higher customer demand during fiscal year 2016; as well as a decrease of $9.1 million in other current and non-current liabilities mainly from payable related to the new manufacturing facility in Thailand.

Net cash provided by operating activities decreased by $13.9 million, or 20.9%, to $52.6 million for fiscal year 2015, compared with net cash provided by operating activities of $66.6 million for fiscal year 2014. This decrease was primarily due to a decrease of $51.2 million in cash collection from customers, offset by a decrease of $2.8 million in cash payment to vendors and a decrease of $29.6 million in inventory during fiscal year 2015.

Investing Activities

Net cash used in investing activities decreased by $155.9 million, or 79.7%, to $39.6 million for fiscal year 2016, compared with net cash used in investing activities of $195.5 million for fiscal year 2015. The decrease was primarily due to a net increase in available-for-sales securities of $144.6 million during fiscal year 2016.

Net cash used in investing activities increased by $222.5 million, or 824.4%, to $195.5 million for fiscal year 2015, compared with net cash provided by investing activities of $27.0 million for fiscal year 2014. The increase in net cash used in investing activities was primarily due to an increase of $144.0 million in short-term investment in marketable securities, an increase of $40.6 million in the purchase of property, plant, and equipment to support our new facility in the United States, and a decrease of $37.8 million in proceeds against claims related to flood damage to consigned and owned equipment.

Financing Activities

Net cash provided by financing activities increased by $0.3 million, or 1.4%, to $22.9 million for fiscal year 2016, compared with net cash provided by financing activities of $22.5 million for fiscal year 2015. This increase was primarily due to an increase of $38.0 million from the proceeds of bank loans and an increase of $4.6 million in proceeds from the issuance of ordinary shares under our employee share option plans, offset by an increase of $41.5 million from the repayments of loans.

Net cash provided by financing activities increased by $30.7 million, or 375.8%, to $22.5 million for fiscal year 2015, compared with net cash used in financing activities of $8.2 million for fiscal year 2014. This increase was primarily due to an increase in proceeds from a revolving loan of $30.0 million to purchase land and a building for a new facility in the United States and a decrease in the repayment of a long-term bank loan of $6.0 million, offset by the payment of debt issuance costs of $1.9 million and a decrease in proceeds from the issuance of ordinary shares under employee share option plans of $3.7 million.

Contractual Obligations

The following table sets forth certain of our contractual obligations as of June 24, 2016:

	Payments Due by Period				
(amount in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	$54,500	$18,100	$36,400	$ —	$ —
Interest expense obligation [(1)]	2,167	1,103	1,064	—	—
Operating lease obligations	3,963	1,347	1,993	623	—
Severance liabilities [(2)]	6,684	187	706	877	4,914
Provision for uncertain income tax position	1,790	—	524	1,266	—
Total	$69,104	$20,737	$40,687	$2,766	$4,914

(1) Interest expense obligation reflects the interest rate on long-term debt obligation as of June 24, 2016. The interest rates ranged between 2.2% and 3.5%. For further discussion of long-term and short-term debt obligations, see Note 11 of our audited consolidated financial statements.

(2) Severance liabilities as of June 24, 2016 are determined based on management assumptions, see Note 12 of our audited consolidated financial statements.

As of June 24, 2016, our long-term debt obligations consisted of approximately $4.5 million outstanding under a loan agreement. The loan is secured by certain property, plant and equipment and prescribes maximum ratios of debt to equity and minimum levels of debt service coverage ratios (i.e., earnings before interest expenses and depreciation and amortization plus cash on hand minus short-term debts divided by current portion of long-term debts plus interest expenses). These financial ratio covenants could restrict our ability to incur additional indebtedness and limit our ability to use our cash. Our long-term debt obligation also includes customary events of default.

As of June 24, 2016, we were in compliance with our long-term loan agreements. Nonetheless, in the event of a default on these loans or a breach of a financial ratio covenant, the lenders may immediately cancel the loan agreements, 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 loans in order to fulfill our obligations to the lenders. We may also be held responsible for any damages and related expenses incurred by the lender as a result of any default.

We entered into a syndicated senior credit facility agreement (the "Facility Agreement") with a consortium of banks on May 22, 2014. The Facility Agreement, led by Bank of America, provides for a $200.0 million credit line, comprised of a $150.0 million revolving loan facility and a $50.0 million delayed draw term loan facility. The revolving loan facility contains an accordion feature permitting us to request an increase in the facility up to $100.0 million subject to customary terms and conditions and provided that no default or event of default exists at the time of request. The revolving loan facility terminates and all amounts outstanding are due and payable in full on May 22, 2019. The principal amount of any drawn term loans must be repaid according to the scheduled quarterly amortization payments, with final payment of all amounts outstanding, plus accrued interest, being due May 22, 2019.

On February 26, 2015, we entered into the Second Amendment to the Facility Agreement. The amendment extended the availability period for draws on the term loan facility from May 21, 2015 to July 31, 2015. It also allows us, upon the satisfaction of certain conditions, to designate from time to time one or more of Fabrinet's subsidiaries as borrowers under the Facility Agreement. On July 31, 2015, we entered into the Third Amendment to the Facility Agreement. The amendment extended the availability period for draws on the term loan facility from July 31, 2015 to July 31, 2016.

As of June 24, 2016, we had $50.0 million of long-term borrowing and $6.5 million of revolving borrowing outstanding under the Facility Agreement; as a result, there were available credit facilities of $143.5 million.

As of June 24, 2016, we also had certain operating lease arrangements in which the lease payments are calculated using the straight-line method. Our rental expenses under these leases were $1.2 million, $1.1 million and $0.8 million for fiscal year 2016, fiscal year 2015 and fiscal year 2014, respectively.

Capital Expenditures

The following table sets forth our capital expenditures, which include amounts for which payments have been accrued, for the periods indicated.

	Years Ended		
(amount in thousands)	**June 24, 2016**	**June 26, 2015**	**June 27, 2014**
Capital expenditures	$55,166	$56,130	$10,604

Our capital expenditures for fiscal year 2016 and fiscal year 2015 principally related to investment in our new facilities in Thailand and the United States. During fiscal year 2016, we purchased a parcel of land and began construction of new manufacturing facility at our Chonburi campus. During fiscal year 2015, we purchased a building and associated land in Santa Clara, California. Our capital expenditures for fiscal year 2014 principally related to investment in equipment for our manufacturing facilities. During fiscal year 2017, we expect to purchase additional equipment for our new manufacturing facilities in the United States and Thailand.

Off-Balance Sheet Commitments and Arrangements

As of June 24, 2016, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Recent Accounting Pronouncements

See Note 2 of the Notes to Consolidated Financial Statements for recent accounting pronouncements that could have an effect on us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

We had cash, cash equivalents, and marketable securities totaling $284.5 million, $255.8 million and $233.5 million, as of June 24, 2016, June 26, 2015 and June 27, 2014, respectively. Our exposure to interest rate risk primarily relates to the interest income generated by excess cash invested in highly liquid investments with maturities of three months or less from the original dates of purchase. The cash and cash equivalents are held for working capital purposes. We have not used derivative financial instruments in our investment portfolio. We have not been exposed nor do we anticipate being exposed to material risks due to changes in market interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates had declined by 10 basis points during fiscal year 2016, fiscal year 2015 and fiscal year 2014, our interest income would have decreased by approximately $0.1 million, $0.1 million and $0.2 million, respectively, assuming consistent investment levels.

Interest rate risk also refers to our exposure to movements in interest rates associated with our interest bearing liabilities. The interest bearing liabilities are denominated in U.S. dollars and the interest expense is based on LIBOR, plus an additional margin, depending on the lending institution. If the Singapore Interbank Offered Rate and the LIBOR had increased by 100 basis points during fiscal year 2016, fiscal year 2015 and fiscal year 2014, our interest expense would have increased by approximately $0.1 million, $0.1 million and $0.2 million, respectively, assuming consistent borrowing levels.

We maintain an investment portfolio in a variety of financial instruments, including, but not limited to, U.S. government and agency bonds, corporate obligations, money market funds, asset-backed securities and other investment-grade securities. The majority of these investments pay a fixed rate of interest. The securities in the investment portfolio are subject to market price risk due to changes in interest rates, perceived issuer creditworthiness, marketability and other factors. These investments are generally classified as available-for-sale and, consequently, are recorded on our consolidated balance sheets at fair value with unrealized gains or losses reported as a separate component of shareholders' equity.

Investments in both fixed-rate and floating-rate interest earning instruments carry a degree of interest rate risk. The fair market values of our fixed-rate securities decline if interest rates rise, while floating-rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may be less than we expect because of changes in interest rates or we may suffer losses in principal if forced to sell securities that have experienced a decline in market value because of changes in interest rates.

Foreign Currency Risk

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

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

In addition, we are exposed to foreign exchange risk in connection with the credit facility and cross currency swap arrangements we entered into with TMB Bank Public Company Limited (the "Bank") in May 2011 for the construction of a building at our Pinehurst Campus in Thailand. The terms of the contract with the Bank provide the following facilities: (1) a term loan facility for up to Thai baht 960 million (equal to $30.0 million) with a fixed interest rate of 5.28% per annum, (2) a hedging facility for currency swaps with a notional amount of $30.0 million, and (3) a settlement limit of Thai baht 65 million, subject to certain terms and conditions as set forth therein. During fiscal year 2012, we had drawn down the entire $30.0 million available under the term loan facility. Borrowings and interest under the term loan are scheduled to be repaid on a quarterly basis between September 2011 and March 2017. Under the terms of the cross currency interest rate swap arrangement, all amounts drawn in Thai baht were converted to U.S. dollars for repayment by us on a quarterly basis at the floating rate of 3-month LIBOR plus 2.8% per annum.

We attempt to hedge against these exchange rate risks by entering into derivative instruments that typically have maturities of up to six months, leaving us exposed to longer term changes in exchange rates. During the year ended June 24, 2016, we hedged forecasted foreign currency transactions with certain forward contracts, designated as cash flow hedges. We recognized foreign exchange loss of $1.6 million, $0.02 million and $0.02 million in the consolidated statements of operations and comprehensive income during fiscal year 2016, fiscal year 2015 and fiscal year 2014, respectively. As foreign currency exchange rates fluctuate relative to the U.S. dollar, we expect to incur foreign currency translation adjustments and may incur foreign currency exchange losses. For example, a 10% weakening in the U.S. dollar against the Thai baht and the RMB would have resulted in a decrease in our net dollar position of approximately $2.3 million and $0.8 million as of June 24, 2016 and June 26, 2015, respectively. We cannot give any assurance as to the effect that future changes in foreign currency rates will have on our consolidated financial position, operating results or cash flows.

Credit Risk

Credit risk refers to our exposures to financial institutions, suppliers and customers that have in the past and may in the future experience financial difficulty, particularly in light of recent conditions in the credit markets and the global economy. As of June 24, 2016 and June 26, 2015, our cash and cash equivalents were held in deposits and highly liquid investment products with maturities of three months or less with banks and other financial institutions having credit ratings of A minus or above. As of June 24, 2016 and June 26, 2015, our marketable securities were held in various financial institutions with a maturity limit not to exceed three years, and all securities were rated A1, P-1, F1, or better. We continue to monitor our surplus cash and consider investment in corporate and U.S. government debt as well as certain available-for-sale securities in accordance with our investment policy. We generally monitor the financial performance of our suppliers and customers, as well as other factors that may affect their access to capital and liquidity. Presently, we believe that we will not incur material losses due to our exposures to such credit risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Fabrinet

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Fabrinet and its subsidiaries (the "Company") at June 24, 2016 and June 26, 2015, and the results of their operations and their cash flows for each of the three years in the period ended June 24, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 24, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers ABAS Ltd.

PricewaterhouseCoopers ABAS Ltd.
Bangkok, Thailand
August 17, 2016

FABRINET

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars, except share data)	**As of June 24, 2016**	**As of June 26, 2015**
Assets		
Current assets		
Cash and cash equivalents	$142,804	$112,978
Marketable securities	141,709	142,866
Trade accounts receivable, net	196,145	134,952
Inventory, net	181,499	130,613
Deferred tax assets	1,358	1,662
Prepaid expenses	3,114	2,135
Other current assets	6,662	1,833
Total current assets	673,291	527,039
Non-current assets		
Property, plant and equipment, net	178,410	140,654
Intangibles, net	499	137
Deferred tax assets	1,806	2,249
Deferred debt issuance costs	2,444	2,424
Total non-current assets	183,159	145,464
Total assets	$856,450	$672,503
Liabilities and Shareholders' Equity		
Current liabilities		
Bank borrowings, including revolving loan and current portion of long-term loans from banks	$ 24,600	$ 36,000
Trade accounts payable	172,052	115,319
Fixed assets related payable	20,628	6,026
Income tax payable	2,010	1,470
Accrued payroll, bonus and related expenses	12,300	9,804
Accrued expenses	8,072	6,405
Other payables	16,356	6,024
Total current liabilities	256,018	181,048
Non-current liabilities		
Long-term loan from bank, non-current portion	36,400	4,500
Deferred tax liability	854	737
Severance liabilities	6,684	5,477
Other non-current liabilities	2,075	1,797
Total non-current liabilities	46,013	12,511
Total liabilities	302,031	193,559
Commitments and contingencies (Note 17)		
Shareholders' equity		
Preferred shares (5,000,000 shares authorized, $0.01 par value; no shares issued and outstanding as of June 24, 2016 and June 26, 2015)	—	—
Ordinary shares (500,000,000 shares authorized, $0.01 par value; 36,156,446 shares and 35,437,654 shares issued and outstanding as of June 24, 2016 and June 26, 2015, respectively)	362	354
Additional paid-in capital	102,325	89,390
Accumulated other comprehensive income (loss)	591	(44)
Retained earnings	451,141	389,244
Total shareholders' equity	554,419	478,944
Total Liabilities and Shareholders' Equity	$856,450	$672,503

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

FABRINET

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in thousands of U.S. dollars, except per share data)	Years Ended June 24, 2016	June 26, 2015	June 27, 2014
Revenues	$ 976,747	$ 773,587	$ 677,854
Cost of revenues	(857,224)	(685,814)	(603,621)
Gross profit	119,523	87,773	74,233
Selling, general and administrative expenses	(49,753)	(39,460)	(27,664)
Income related to flooding	36	—	44,748
Expenses related to reduction in workforce	—	(1,153)	—
Operating income	69,806	47,160	91,317
Interest income	1,535	1,253	1,793
Interest expense	(1,569)	(616)	(713)
Foreign exchange loss, net	(1,916)	(19)	(24)
Other income (expense), net	376	(152)	797
Income before income taxes	68,232	47,626	93,170
Income tax expense	(6,335)	(3,984)	(1,439)
Net income	61,897	43,642	91,731
Other comprehensive income (loss), net of tax:			
Change in net unrealized gains (loss) on marketable securities	443	(44)	—
Change in net unrealized gains on derivative instruments	192	—	—
Total other comprehensive income (loss), net of tax	635	(44)	—
Net comprehensive income	$ 62,532	$ 43,598	$ 91,731
Earnings per share			
Basic	$ 1.73	$ 1.23	$ 2.63
Diluted	$ 1.68	$ 1.21	$ 2.58
Weighted average number of ordinary shares outstanding (thousands of shares)			
Basic	35,857	35,354	34,938
Diluted	36,872	35,984	35,589

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

FABRINET

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of U.S. dollars, except share data)	Ordinary Share		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount				
Balances at June 28, 2013	34,634,967	$346	$ 71,101	$—	$253,871	$325,318
Net income	—	—	—	—	91,731	91,731
Share-based compensation expense	—	—	5,547	—	—	5,547
Issuance of ordinary shares	517,805	6	4,561	—	—	4,567
Tax withholdings related to net share settlement of restricted share units	—	—	(327)	—	—	(327)
Balances at June 27, 2014	35,152,772	352	80,882	—	345,602	426,836
Net income	—	—	—	—	43,642	43,642
Other comprehensive loss	—	—	—	(44)	—	(44)
Share-based compensation expense	—	—	8,027	—	—	8,027
Issuance of ordinary shares	284,882	2	833	—	—	835
Tax withholdings related to net share settlement of restricted share units	—	—	(352)	—	—	(352)
Balances at June 26, 2015	35,437,654	354	89,390	(44)	389,244	478,944
Net income	—	—	—	—	61,897	61,897
Other comprehensive income	—	—	—	635	—	635
Share-based compensation expense	—	—	9,927	—	—	9,927
Issuance of ordinary shares	718,792	8	5,471	—	—	5,479
Tax withholdings related to net share settlement of restricted share units	—	—	(2,463)	—	—	(2,463)
Balances at June 24, 2016	36,156,446	$362	$102,325	$591	$451,141	$554,419

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

FABRINET

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U. S. dollars)	Years Ended		
	June 24, 2016	June 26, 2015	June 27, 2014
Cash flows from operating activities			
Net income for the year	$ 61,897	$ 43,642	$ 91,731
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	17,357	12,947	10,658
Gain on disposal of property, plant and equipment	(73)	(42)	(28)
Loss from sales and maturities of marketable securities	194	120	—
Amortization of investment premium	798	985	—
Amortization of deferred debt issuance costs	758	527	—
Income related to flooding	(828)	—	(45,211)
Proceeds from insurers in settlement of claim related to flood damage	272	—	7,416
(Reversal of) allowance for doubtful accounts	(17)	13	(72)
Unrealized loss on exchange rate and fair value of derivative	1,905	671	722
Share-based compensation	9,927	8,027	5,547
Deferred income tax	864	(878)	65
Other non-cash expenses	1,744	1,722	634
Reversal of uncertain tax positions	—	—	(1,538)
(Reversal of) inventory obsolescence	(521)	397	443
Loss from written-off inventory due to flood loss	233	—	—
Changes in operating assets and liabilities			
Trade accounts receivable	(61,013)	(33,797)	17,379
Inventory	(50,598)	(6,440)	(36,051)
Other current assets and non-current assets	(5,901)	(283)	(1,035)
Trade accounts payable	56,308	20,466	17,714
Income tax payable	573	446	737
Other current liabilities and non-current liabilities	13,209	4,106	4,951
Liabilities to third parties due to flood losses	—	—	(7,512)
Net cash provided by operating activities	47,088	52,629	66,550
Cash flows from investing activities			
Purchase of marketable securities	(108,341)	(203,407)	—
Proceeds from sales of marketable securities	41,836	29,036	—
Proceeds from maturities of marketable securities	67,113	30,356	—
Purchase of property, plant and equipment	(40,616)	(51,398)	(10,835)
Gain on cash settlement of hedged forward contracts	34	—	—
Proceeds from disposal of property, plant and equipment	194	48	29
Purchase of intangibles	(379)	(134)	(1)
Proceeds from insurers in settlement of claims related to flood damage	556	—	37,795
Net cash (used in) provided by investing activities	(39,603)	(195,499)	26,988
Cash flows from financing activities			
Payment of debt issuance costs	(654)	(1,946)	—
Proceeds of short-term loan from bank	18,000	30,000	—
Repayment of short-term loan from bank	(41,500)	—	—
Proceeds of long-term loan from bank	50,000	—	—
Repayment of long-term loan from bank	(6,000)	(6,000)	(12,411)
Proceeds from issuance of ordinary shares under employee share option plan	5,479	835	4,567
Withholding tax related to net share settlement of restricted share units	(2,463)	(352)	(327)
Net cash provided by (used in) financing activities	22,862	22,537	(8,171)
Net increase (decrease) in cash and cash equivalents	$ 30,347	$(120,333)	$ 85,367

(in thousands of U. S. dollars)	Years Ended June 24, 2016	June 26, 2015	June 27, 2014
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period	$ 112,978	$ 233,477	$149,716
Increase (decrease) in cash and cash equivalents	30,347	(120,333)	85,367
Effect of exchange rate on cash and cash equivalents	(521)	(166)	(1,606)
Cash and cash equivalents at end of period	$ 142,804	$ 112,978	$233,477
Supplemental disclosures			
Cash paid for			
Interest	$ 1,091	$ 590	$ 709
Taxes	$ 5,473	$ 2,841	$ 198
Cash received for interest	$ 1,049	$ 749	$ 1,672
Non-cash investing and financing activities			
Fixed assets-related payable	$ 20,628	$ 6,026	$ 1,130

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

FABRINET

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars unless otherwise noted)

1. Business and organization

Description of Business

Fabrinet ("Fabrinet" or the "Parent Company") was incorporated on August 12, 1999, and commenced operations on January 1, 2000. The Parent Company is an exempted company incorporated in the Cayman Islands, British West Indies. The "Company" refers to Fabrinet and its subsidiaries as a group.

The Company provides advanced optical packaging and precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers ("OEMs") of complex products, such as optical communication components, modules and sub-systems, industrial lasers, medical devices, and sensors. The Company offers a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, complex printed circuit board assembly, advanced packaging, integration, final assembly and test. The Company focuses primarily on the production of low-volume, high-mix products. The principal subsidiaries of Fabrinet include Fabrinet Co., Ltd. ("Fabrinet Thailand"), Casix, Inc. ("Casix") and Fabrinet West, Inc. ("Fabrinet West").

2. Summary of significant accounting policies

Principles of consolidation

The Company utilizes a 52-53 week fiscal year ending on the Friday in June closest to June 30. Fiscal year 2016, fiscal year 2015 and fiscal year 2014 ended on June 24, 2016, June 26, 2015 and June 27, 2014, respectively, and each consisted of 52 weeks.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include Fabrinet and its subsidiaries. All inter-company accounts and transactions have been eliminated.

Where necessary, comparative figures have been reclassified to conform to the current year presentation.

Use of estimates

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amount of total revenues and expense during the year. The Company bases estimates on historical experience and various assumptions about the future that are believed to be reasonable based on available information. The Company's reported financial position or results of operations may be materially different under different conditions or when using different estimates and assumptions, particularly with respect to significant accounting policies, which are discussed below. Significant assumptions are used in accounting for share-based compensation, allowance for doubtful accounts, income taxes, and inventory obsolescence, among others. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates. In the event that estimates or assumptions prove to differ from actual results, adjustments will be made in subsequent periods to reflect more current information.

Foreign currency transactions and translation

The consolidated financial statements are presented in United States dollars ("$" or "USD").

The functional currency of Fabrinet and its subsidiaries is the USD. Transactions in currencies other than the functional currency are translated into the functional currency at the rates of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the consolidated balance sheet dates. Transaction gains and losses are included in other income (expense) in the accompanying consolidated statements of operations and comprehensive income.

Cash and cash equivalents

All highly liquid investments with original maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and cash equivalents consist of cash deposited in checking accounts, time deposits with maturities of less than three months, money market accounts, and marketable securities with maturities of three months or less at the date of purchase.

Marketable securities

Management determines the appropriate classification of its investments at the time of purchase and reevaluates the designations at each balance sheet date. The Company may sell certain of the Company's marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and duration management. The maturities of the Company's marketable securities generally range from three months to three years. The Company's marketable securities consist of investment in U.S. Treasury and fixed income securities and have been classified and accounted for as available-for-sale.

The Company's investments in marketable securities are classified as available-for-sale securities and reported at fair value. Unrealized gains and losses related to changes in the fair value of securities are recognized in accumulated other comprehensive income, net of tax, in the Company's consolidated balance sheets. Changes in the fair value of available-for-sale securities impact the Company's net income only when such securities are sold or other-than-temporary impairment is recognized. Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis.

The Company reviews its marketable securities on a regular basis to evaluate whether or not any security has experienced an other-than-temporary decline in fair value. The Company considers factors such as the length of time and extent to which the market value has been less than the cost, the financial condition and near-term prospects of the issue and the Company's intent to sell, or whether it is more likely than not the Company will be required to sell the investment before recovery of the investment's amortized cost basis. If the Company believes that an other-than-temporary decline exists in one of these securities, the Company will write down these investments to fair value.

Trade accounts receivable

Accounts receivable are carried at anticipated realizable value. The Company assesses the collectability of its accounts receivable based on specific customer circumstances, current economic trends, historical experience with collection and the age of past due receivables and provides an allowance for doubtful receivables based on a review of all outstanding amounts at the period end. Bad debts are written-off when identified.

Unanticipated changes in the liquidity or financial position of the Company's customers may require revision to the allowances for doubtful accounts.

Inventory

Inventory is stated at the lower of cost or market value. Cost is estimated using the standard costing method, computed on a first-in, first-out basis, with adjustments for variances to reflect actual costs not in excess of

net realizable market value. Market value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The Company assesses the valuation of inventory on a quarterly basis and writes down the value for estimated excess and obsolete inventory based upon estimates of future demand.

Leases

Payments made under operating leases are expensed on a straight-line basis over the lease term.

Property, plant and equipment

Land is stated at historical cost. Other property, plant and equipment, except for construction in process and machinery under installation, are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write-off the cost of each asset to its residual value over its estimated useful life as follows:

Building and building improvements	10 - 30 years
Leasehold improvements	Shorter of useful life or lease term
Manufacturing equipment	3 - 5 years
Office equipment	3 - 5 years
Motor vehicles	5 years
Computer hardware	3 - 5 years

Construction in process and machinery under installation is stated at historic cost and depreciation begins after it is constructed and fully installed and is ready for its intended use in the operations of the Company.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating income in the consolidated statements of operations and comprehensive income.

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

Intangibles

Intangibles are stated at historical cost less amortization. Amortization is calculated using the straight-line method.

Borrowing costs

Borrowing costs are accounted for on an accrual basis and are charged to the consolidated statements of operations and comprehensive income in the year incurred, except for interest costs on general and specific borrowings attributable to finance certain qualifying assets. Such costs to finance qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use, as part of the cost of the assets. All other borrowing costs are expensed as incurred.

Where funds are not borrowed for acquisition, construction or production of assets, the capitalization rate used to determine the amount of interest to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the year. Where funds are borrowed specifically for the acquisition, construction or production of assets, the amount of borrowing costs eligible for capitalization on the respective assets is determined as the actual borrowing costs are incurred on that borrowing during the respective periods.

Fair value of financial instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs for the valuation of an asset or liability as of the measurement date. The three levels of inputs that may be used to measure fair value are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs for similar assets and liabilities in active markets other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs that are significant to the fair value measurement and unobservable (i.e. supported by little or no market activity), which require the reporting entity to develop its own valuation techniques and assumptions.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The carrying amounts of certain financial instruments, which include cash and cash equivalents, trade accounts receivable, and trade accounts payable, approximate their fair values due to their short maturities. The carrying amounts of borrowings approximate their fair values as the applicable interest rate is based on market interest rates. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivatives

Derivatives assets and liabilities are recognized on the consolidated balance sheets as other current assets or accrued expenses, and are measured at fair value.

The Company applies hedge accounting to arrangements that qualify and are designated for cash flow hedge accounting treatment. Hedge accounting is discontinued prospectively if the hedging relationship ceases to be effective or the hedging or hedged items cease to exist as a result of maturity, sale, termination or cancellation.

Derivatives designated and qualified as hedges of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges which include forward currency contracts. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is initially recorded in accumulated other comprehensive income (loss) (“AOCI”), while any ineffective portion is recognized directly in earnings, as a component of other income (expense). The portion of gain or loss on the derivative instrument remains in AOCI until the forecasted transaction is recognized in earnings. The gain or loss on cash settlement of the hedging derivatives are presented based on the underlying transaction being hedged.

The Company also enters into derivative contracts to economically hedge the foreign currency risk that does not qualify for hedge accounting. The changes in the fair value of these derivatives are recorded directly in earnings as a component of other income (expense), net. In accordance with the fair value measurement guidance, the Company’s accounting policy is to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. The Company executes derivative instruments with financial institutions that are credit-worthy, defined as institutions that hold an investment grade credit rating.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents, marketable securities, derivatives, and accounts receivable.

Cash, cash equivalents, and marketable securities are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple counterparties and monitoring the risk profiles of these counterparties. The Company limits its investments in marketable securities to securities with a maturity not in excess of three years, and all marketable securities that the Company invests in are rated A1, P-1, F1, or better.

The Company performs ongoing credit evaluations for credit worthiness of its customers and usually does not require collateral from its customers. Management has implemented a program to closely monitor near term cash collection and credit exposures to mitigate any material losses.

Revenue recognition

The Company derives total revenues primarily from the assembly of products under supply agreements with its customers and the fabrication of customized optics and glass. Revenues represent the invoiced value of products, net of trade discounts and allowances, and exclude goods and services tax. The Company recognizes revenues when realized or realizable and earned. The Company considers revenues realized or realizable and earned when there is persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery does not occur until products have been shipped or services have been provided to the customer, risk of loss has transferred to the customer and customer acceptance has been obtained, customer acceptance provisions have lapsed, or the Company has objective evidence that the criteria specified in the customer acceptance provisions have been satisfied. In situations where a formal acceptance is required but the acceptance only relates to whether the product meets its published specifications, revenues are generally recognized upon shipment provided all other revenue recognition criteria are met. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved. The Company reduces revenues for rebates and other similar allowances. Revenues are recognized only if these estimates can be reasonably and reliably determined. The Company bases its estimates utilizing historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In addition to the aforementioned general policies, the following are the specific revenue recognition policies for each major category of revenues.

Services

The Company provides services for its customers that range from process design to product manufacturing. The Company recognizes service revenues when the services have been performed. The related costs are expensed as incurred.

Services revenue of $31.7 million, $32.3 million and $25.5 million were recognized in the consolidated statements of operations and comprehensive income for the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

Sales of goods

Revenues from sales of goods are generally recognized when the product is shipped to the customer and when there are no unfulfilled obligations that affect the customer's final acceptance of the arrangement. Any cost of warranties and remaining obligations that are inconsequential or perfunctory are accrued when the corresponding revenues are recognized.

Certain customers may request the Company to store finished products purchased by them at the Company's warehouse. In these instances, the Company receives a written request from the customer asking the Company to hold the inventory at the Company's warehouse and the ordered goods are segregated in the Company's warehouse from other inventory and cannot be used to fulfil other customer orders. In these situations, revenue is only recognized when persuasive evidence of the sales arrangement exists, the goods are completed and ready for shipment, pricing is fixed or determinable, collection is reasonably assured, and title and risk of loss have passed to the customer.

Warranty provision

Provisions for estimated expenses relating to product warranties are made at the time the products are sold using historical experience. Generally, this warranty is limited to workmanship and the Company's liability is capped at the price of the product. The provisions will be adjusted when experience indicates an expected settlement will differ from initial estimates.

Warranty cost allowances of $0.1 million, $0.03 million and $0.02 million were recognized in the consolidated statements of operations and comprehensive income for the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

Shipping and handling costs

The Company records costs related to shipping and handling in cost of revenues for all periods presented.

Share-based compensation

Share-based compensation is recognized in the consolidated financial statements based on grant-date fair value. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The Company estimates the fair value of share option awards utilizing the Black-Scholes-Merton option-pricing model ("BSM"), net of estimated forfeitures. For restricted share units, the fair value is based on the market value of our ordinary shares on the date of grant.

Employee contribution plan

The Company operates a defined contribution plan, known as a provident fund, in its subsidiary in Thailand. The assets of this plan are in a separate trustee-administered fund. The provident fund is funded by matching payments from employees and by the subsidiary on a monthly basis. Current contributions to the provident fund are accrued and paid to the fund manager on a monthly basis. The Company sponsors the Fabrinet U.S. 401(k) Retirement Plan (the "401(k) Plan"), a Defined Contribution Plan under ERISA, at its subsidiaries in the United States, which provides retirement benefits for its eligible employees through tax deferred salary deductions.

Severance liabilities

Under labor protection laws applicable in Thailand and the Company's subsidiary in Thailand's employment policy, all employees of such subsidiary with more than 120 days of service are entitled to severance pay on forced termination or retrenchment or in the event that the employee reaches the retirement age of 55. The entitlement to severance pay is determined according to an employee's individual employment tenure with the Company and is subject to a maximum benefit of 10 months of salary unless otherwise agreed upon in an employee's employment contract. For employees of other subsidiaries who have a specific termination date, the entitlement to severance pay is determined according to their employment tenure, until their designated termination date.

The Company accounts for these severance liabilities on an actuarial basis using the Projected Unit Credit Method, using the long-term Thai government bond yield as a discount rate. There are no separate plan assets held in respect of these liabilities.

Annual leave

Employee entitlements to annual leave are recognized when they accrue to the employee. On termination of employment, accrued employee entitlement to annual leave is paid in cash.

Income taxes

The Company uses the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Fabrinet’s subsidiaries are subject to income tax audits by the respective tax authorities in all of the jurisdictions in which they operate. The determination of tax liabilities in each of these jurisdictions requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. The Company recognizes liabilities based on its estimate of whether, and the extent to which, additional tax liabilities are probable. If the Company ultimately determines that the payment of such a liability is not probable, then it reverses the liability and recognizes a tax benefit during the period in which the determination is made that the liability is no longer probable. The recognition and measurement of current taxes payable or refundable and deferred tax assets and liabilities requires that the Company makes certain estimates and judgments. Changes to these estimates or a change in judgment may have a material impact on the Company’s tax provision in a future period.

The authoritative guidance provides for recognition of deferred tax assets if the realization of such deferred tax assets is more likely than not to occur based on an evaluation of both positive and negative evidence and the relative weight of the evidence. The Company has determined that it is more likely than not that deferred tax asset attributable to a subsidiary in the United States will not be realized, primarily due to uncertainties related to its ability to utilize its net operating loss carryforward before they expire. Accordingly, the Company has established a valuation allowance for such deferred tax asset. If there is a change in the Company’s ability to realize its deferred tax assets for which a valuation allowance has been established, then its tax provision may decrease in the period in which it determines that realization is more likely than not. Likewise, if the Company determines that it is not more likely than not that its deferred tax assets will be realized, then a valuation allowance may be established for such deferred tax assets and the Company’s tax provision may increase in the period in which it makes the determination.

The accounting standard clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return.

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

New Accounting Pronouncements—not yet adopted by the Company

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of adoption of this update on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". This ASU simplifies several aspects of the accounting for share-based payment award transactions, including, the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, for public companies. Early adoption is permitted in any interim or annual period. The Company is currently evaluating the impact of adoption of this update on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships", to clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815, does not, in and of itself, require designation of the hedging relationship, provided that all other hedge accounting criteria continue to be met. This guidance is effective for public companies for financial statements issued for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of adoption of this update on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Lease (Topic 842)". The core principle of Topic 842 is that a lessee should recognize the lease assets and liabilities that arise from leases in the balance sheet. For public companies, this update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company is currently evaluating the impact of adoption of this update on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities". This new guidance requires certain equity investments to be measured at fair value, use of the exit price notion and separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. The ASU on recognition and measurement will take effect for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of adoption of this update on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes", which will require entities to present deferred tax assets ("DTA") and deferred tax liabilities ("DTL") as non-current in a classified balance sheet. The ASU simplifies the current guidance, which requires entities to separately present DTA and DTL as current and non-current in a classified balance sheet. For public companies, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company has not yet adopted this update and does not expect that adoption will have a material effect on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory". The update provides the guidance that an entity, that measured inventory by using first-in, first-

out or average cost, should measure inventory at the lower of cost and net realizable value. Subsequent measurement is unchanged for inventory measured using last-in, first-out or the retail inventory method. For public companies, this update is effective for fiscal years beginning after December 15, 2016, including interim periods within these fiscal years. This update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adoption of this update on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs”. The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. In August 2015, the FASB issued ASU 2015-15 to address a presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangement. For public companies, the update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The Company has not yet adopted this update and does not expect that adoption will have a material effect on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis”. ASU No. 2015-02 amended the process that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. For public companies, this amendment is effective for fiscal years, and for interim periods within those fiscal years beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of adoption of this update on its consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-01, “Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items”. The objective of this amendment is to reduce the complexity in accounting standards by eliminating the concept of extraordinary items from U.S. GAAP. The following criteria must both be met for extraordinary classification: (a) the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity; and (b) the underlying event or transaction should not reasonably be expected to recur in the foreseeable future. This amendment is effective for fiscal years and interim periods beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect that adoption of this update will have an effect on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. The amendments require management to evaluate, for each annual and interim reporting period, an entity’s ability to continue as a going concern when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations that become due within one year after the date that the financial statements are issued (or available to be issued). This update is effective for annual periods and interim reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect that adoption of this update will have an effect on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, “Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period”. This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. Compensation cost should be recognized in the period in when performance target will probably

be achieved and should be attributable to the period(s) for which the requisite service has already been rendered. This update is required to be adopted by all public companies for annual periods and interim reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect that adoption of this update will have an effect on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606), issued as a new Topic, Accounting Standards Codification". The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update is effective for public companies, as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application of this guidance is permitted but not before the original date of December 15, 2016, which can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. Subsequently in March 2016 and April 2016, the FASB issued ASU 2016-08 and ASU 2016-10, to clarify the implementation guidance on principle versus agent considerations and address the potential diversity in practice at initial application and cost, and the complexity of applying Topic 606, both at transition and on an ongoing basis related to identification of performance obligations and licensing arrangements; and ASU 2016-12, in May 2016, to improve in certain aspects of Topic 606, with the same effective date as ASU 2015-14. The Company has not yet elected a transition method and is currently evaluating the impact of adoption of these updates on its consolidated financial statements.

3. Income taxes

Cayman Islands

Fabrinet is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, Fabrinet is not subject to tax in the Cayman Islands on income or capital gains. Fabrinet has received this undertaking for a 20-year period ending August 24, 2019, and after the expiration date, Fabrinet can make a request for renewal with the office of the Clerk of the Cabinet for another 20 years.

Income of the Company exempted from corporate income tax in the Cayman Islands amounted to $41.0 million, $27.0 million and $73.0 million in the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

Thailand

Fabrinet Thailand is where the majority of the Company's operations and production takes place. The Company is not subject to tax for the period from July 2010 through June 2015 on income generated from the manufacture of products at Pinehurst Building 5, and from July 2012 through June 2020 on income generated from the manufacture of products at Pinehurst Building 6. Such preferential tax treatment is contingent on, among other things, the export of the Company's customers' products out of Thailand and the Company's agreement not to move its manufacturing facilities out of its current province in Thailand for at least 15 years from the date on which preferential tax treatment was granted. In December 2011, the Thailand Revenue Department announced a reduction in corporate income tax rates for tax periods beginning on or after January 1, 2012. As a result of the announcement, enacted corporate income tax rates for Fabrinet Thailand were reduced from 23% in fiscal year 2013 to 20% in fiscal years 2014 through 2016. Additionally, in March 2016, the Thailand Revenue Department announced the permanent decrease of corporate income tax rates to 20% for tax periods beginning on or after January 1, 2016. As a result, corporate income tax rates for Fabrinet Thailand remain at 20% from fiscal year 2017 onwards.

People's Republic of China

Casix had been granted a tax privilege to reduce its corporate income tax rate from 25% to 15%, but the privilege expired on December 31, 2013. As a result, the corporate income tax rate for Casix has been 25% since January 2014.

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

(amount in thousands)	Years Ended June 24, 2016	June 26, 2015	June 27, 2014
Current	$5,413	$4,191	$2,304
Deferred	922	(207)	(865)
Total income tax expense	$6,335	$3,984	$1,439

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

(amount in thousands)	Years Ended June 24, 2016	June 26, 2015	June 27, 2014
Income before income taxes [1]	$68,232	$47,626	$ 93,170
Tax expense calculated at a statutory corporate income tax rate of 20% (2015 and 2014: 20%)	13,646	9,525	18,634
Effect of income taxes from locations with tax rates different from Thailand	(6,631)	1,134	(2)
Income not subject to tax [2]	(2,289)	(7,094)	(15,648)
Income tax on unremitted earnings (reversal of)	741	1,263	(259)
Effect of different tax rate in relation to deferred tax utilization [3]	894	(221)	(662)
Effect of foreign exchange rate adjustment	375	(365)	(380)
Tax rebate from research and development application	(145)	(102)	—
Reversal of reserve fixed assets damaged from flooding	—	—	(251)
Others	(256)	(156)	7
Corporate income tax expense	$ 6,335	$ 3,984	$ 1,439

(1) Income before income taxes was mostly generated from domestic income in the Cayman Islands.

(2) Income not subject to tax relates to income earned in the Cayman Islands and income subject to an investment promotion privilege for Building 5 and Building 6. Income not subject to tax per ordinary share on a diluted basis (in dollars) was $0.06, $0.20 and $0.44 for the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

(3) The balances were effect of different tax rate in relation to the rate recognized deferred taxes during the fiscal year and the rate when deferred taxes will be utilized in the following fiscal years.

The Company's deferred tax assets and deferred tax liabilities, net of valuation allowance, at each balance sheet date are as follows:

	Years Ended	
(amount in thousands)	June 24, 2016	June 26, 2015
Deferred tax assets:		
Depreciation	$ 846	$1,057
Severance liability	955	1,192
Reserve and allowance	1,376	1,648
Others	(13)	14
Total	$ 3,164	$3,911

	Years Ended	
(amount in thousands)	June 24, 2016	June 26, 2015
Deferred tax liabilities:		
Depreciation	$ 833	$ —
Deferred tax from unremitted earning	(1,687)	(737)
Total	(854)	(737)
Net	$ 2,310	$3,174

Current deferred income tax assets and liabilities and non-current deferred income tax assets and liabilities are offset when the income taxes relate to the same tax jurisdiction. The following amounts are shown in the consolidated balance sheets:

	Years Ended	
(amount in thousands)	June 24, 2016	June 26, 2015
Deferred income tax assets—current	$ 1,358	$ 1,662
Deferred income tax liabilities—current	—	—
Current deferred income tax—net	1,358	1,662
Deferred income tax assets—non current	6,687	3,253
Less: Valuation allowance	(4,881)	(1,004)
Deferred income tax liabilities—non current	(854)	(737)
Non-current deferred income tax—net	952	1,512
Net deferred income tax assets	$ 2,310	$ 3,174

As of June 24, 2016 and June 26, 2015, the Company recognized deferred tax assets of $4.9 million and $1.0 million, respectively, from tax on net operating loss carrying forward of Fabrinet West. Utilization of the tax net operating losses carrying forward may be subject to substantial limitations according to the subsidiary's future operation, which may result in the reduced utilization of a portion of the Company's net operating losses.

Income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of Fabrinet Thailand. Such amounts of Fabrinet Thailand are permanently reinvested; unremitted earnings for Fabrinet Thailand totaled $68.8 million and $50.9 million as of June 24, 2016 and June 26, 2015, respectively. Unrecognized deferred tax liabilities for such unremitted earnings were $4.2 million and $2.6 million as of June 24, 2016 and June 26, 2015, respectively.

Deferred tax liabilities of $0.7 million and $0.7 million have been established for withholding tax on the unremitted earnings of Casix, which are included in non-current deferred tax liability as of June 24, 2016 and June 26, 2015, respectively.

Uncertain income tax positions

Interest and penalties related to uncertain tax positions are recognized in income tax expense. The Company had approximately $0.4 million and $0.2 million of accrued interest and penalties related to uncertain tax positions on the consolidated balance sheets as of June 24, 2016 and June 26, 2015, respectively. The Company recorded (reversed) interest and penalties of $0.2 million, $0.1 million, $(0.6 million) for the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively, in the consolidated statements of operations and comprehensive income. With regard to the Thailand jurisdiction, tax years 2011 through 2015 remain open to examination by the local authorities.

The following table indicates the changes to the Company's uncertain income tax positions for the years ended June 24, 2016, June 26, 2015 and June 27, 2014 included in other non-current liabilities.

(amount in thousands)	As of June 24, 2016	As of June 26, 2015	As of June 27, 2014
Beginning balance	$1,420	$ 868	$1,167
Additions during the year	—	552	510
Reductions for tax positions of prior years	—	—	(809)
Ending balance	$1,420	$1,420	$ 868

4. Earnings per ordinary share

Basic earnings per ordinary share is computed by dividing reported net income by the weighted average number of ordinary shares outstanding during each period. Diluted earnings per ordinary share is computed by dividing reported net income by the weighted average number of ordinary shares and dilutive ordinary equivalent shares outstanding during each period. Dilutive ordinary equivalent shares consist of share options and restricted share units. The earnings per ordinary share was calculated as follows:

	Years Ended		
(amount in thousands except per share amounts)	June 24, 2016	June 26, 2015	June 27, 2014
Net income attributable to shareholders	$61,897	$43,642	$91,731
Weighted-average number of ordinary shares outstanding (thousands of shares)	35,857	35,354	34,938
Incremental shares arising from the assumed exercise of share options and vesting of restricted share units (thousands of shares)	1,015	630	651
Weighted-average number of ordinary shares for diluted earnings per ordinary share (thousands of shares)	36,872	35,984	35,589
Basic earnings per ordinary share	$ 1.73	$ 1.23	$ 2.63
Diluted earnings per ordinary share	$ 1.68	$ 1.21	$ 2.58
Outstanding share options excluded in the computation of diluted earnings per ordinary share [(1)]	—	39,544	44,369

[(1)] These share options were not included in the computation of diluted earnings per ordinary share because the exercise price of the options was greater than the average market price of the underlying shares.

5. Cash, cash equivalents and marketable securities

The Company's cash, cash equivalents, and marketable securities can be analyzed as follows:

(amount in thousands)	Carrying Cost	Unrealized Gain	Fair Value: Cash and Cash Equivalents	Fair Value: Marketable Securities
As of June 24, 2016				
Cash	$136,754	$—	$136,754	$ —
Cash equivalents	6,050	—	6,050	—
Corporate bonds and commercial papers	112,128	394	—	112,522
U.S. agency and U.S. treasury securities	28,028	2	—	28,030
Sovereign and municipal securities	1,154	3	—	1,157
Total	$284,114	$399	$142,804	$141,709

(amount in thousands)	Carrying Cost	Unrealized (Loss)/Gain	Fair Value: Cash and Cash Equivalents	Fair Value: Marketable Securities
As of June 26, 2015				
Cash	$105,548	$—	$105,548	$ —
Cash equivalents	7,430	—	7,430	—
Corporate bonds and commercial papers	120,144	(43)	—	120,101
U.S. agency and U.S. treasury securities	21,029	(2)	—	21,027
Sovereign and municipal securities	1,737	1	—	1,738
Total	$255,888	$ (44)	$112,978	$142,866

The cash equivalents include short-term bank deposits, investments in money market funds, and marketable securities with maturities of three months or less at the date of purchase. The effective interest rate on short term bank deposits was 0.7% and 0.7% per annum for the years ended June 24, 2016 and June 26, 2015, respectively.

As of June 24, 2016, 66.0% of our cash and cash equivalents were held by the Parent Company.

The following table summarizes the cost and estimated fair value of marketable securities classified as available-for-sale securities based on stated effective maturities as of June 24, 2016:

(amount in thousands)	Carrying Cost	Fair Value
Due within one year	$ 19,609	$ 19,628
Due between one to three years	121,701	122,081
Total	$141,310	$141,709

During the year ended June 24, 2016, the net realized loss from changes in fair value of marketable securities recognized by the Company was $0.2 million.

As of June 24, 2016, the Company considered the declines in market value of its marketable securities investment portfolio to be temporary in nature and did not consider any of its securities other-than-temporarily impaired. The Company typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time

and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's cost basis. No impairment losses were recorded for the year ended June 24, 2016.

As of June 24, 2016, cash, cash equivalents, and marketable securities included bank deposits of $40.0 million held in various financial institutions located in the United States in order to support the availability of the Facility Agreement and comply with covenants. Under the terms and conditions of the Facility Agreement, the Company shall maintain cash, cash equivalents and/or marketable securities in an aggregate amount not less than $40.0 million in unencumbered deposits, and/or securities in accounts located in the United States at all times during the term of the Facility Agreement. As discussed in Note 11, the Company must comply with this covenant from and after the effective date of the Facility Agreement.

6. Fair Value

The following tables provide details of the financial instruments measured at fair value on a recurring basis, including:

	Fair Value Measurements at Reporting Date Using			
(amount in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
As of June 24, 2016				
Assets				
Cash equivalents	$—	$ 6,050	$—	$ 6,050
Corporate bonds and commercial papers	—	112,522	—	112,522
U.S. agency and U.S. treasury securities	—	28,030	—	28,030
Sovereign and municipal securities	—	1,157	—	1,157
Derivative assets	—	158[1]	—	158
Total	$—	$147,917	$—	$147,917
Liabilities				
Derivative liabilities	$—	$ 1,754[2]	$—	$ 1,754
Total	$—	$ 1,754	$—	$ 1,754

(1) Foreign currency forward contract with notional amount of $7.0 million.
(2) Foreign currency forward contract with notional amount of $77.5 million and Canadian dollars 0.6 million.

	Fair Value Measurements at Reporting Date Using			
(amount in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
As of June 26, 2015				
Assets				
Cash equivalents	$—	$ 7,430	$—	$ 7,430
Corporate bonds and commercial papers	—	120,101	—	120,101
U.S. agency and U.S. treasury securities	—	21,027	—	21,027
Sovereign and municipal securities	—	1,738	—	1,738
Derivative assets	—	4[1]	—	4
Total	$—	$150,300	$—	$150,300
Liabilities				
Derivative liabilities	$—	$ 371[2]	$—	$ 371
Total	$—	$ 371	$—	$ 371

[1] Foreign currency options with notional amount of $3.0 million and forward contracts with notional amount of Canadian dollars 0.4 million.

[2] Foreign currency options with notional amount of $38.0 million.

Derivative Financial Instruments

As a result of foreign currency rate fluctuations, the U.S. dollar equivalent values of the Company's foreign currency denominated assets and liabilities change. The Company uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign currency denominated assets and liabilities and other foreign currency transactions. The Company minimizes the credit risk in derivative instruments by limiting its exposure to any single counterparty and by entering into derivative instruments only with counterparties that meet the Company's minimum credit quality standard. As of June 24, 2016, the Company recognized the fair value of foreign currency forward contracts of $0.2 million as derivative assets and $1.7 million as derivative liabilities. As of June 26, 2015, the Company recognized the fair value of foreign currency forward contracts and options of $0.4 million as derivative liabilities in the consolidated balance sheets.

As of June 24, 2016, the Company hedges forecasted foreign currency transactions related to the construction costs of a new manufacturing building at the Company's Chonburi Campus with certain forward contracts, designated as cash flow hedges. The Company had two outstanding forward contracts with notional amount of $7.0 million, which mature during August 2016 and September 2016. The Company included unrealized gain of $0.2 million from changes in fair value of these foreign currency forward contracts, designated as hedging instrument in AOCI in the consolidated balance sheets. As of June 24, 2016, gain of $0.01 million in AOCI is expected to be reclassified as earning within the next 12 months. During the year ended June 24, 2016, there was no ineffective portion or discontinued cash flow hedges recognized in the consolidated statements of operations and comprehensive income. As of June 26, 2015, the Company had no foreign currency forward contracts designated as cash flow hedges.

As of June 24, 2016, the Company had 14 outstanding foreign currency forward contracts with notional amount of $77.5 million and Canadian dollars 0.6 million, which matured during July to December 2016. These foreign currency forward contracts were not designated for hedge accounting and were used to hedge fluctuations in the U.S. dollar value of forecasted transactions denominated in Thai baht and Canadian dollar. During the year ended June 24, 2016, the Company included unrealized loss of $1.8 million from changes in fair value of foreign currency contracts in the consolidated statements of operations and comprehensive income.

As of June 26, 2015, the Company had 42 outstanding foreign currency forward contracts and options with notional amount of $41.0 million and Canadian dollars 0.4 million, which matured during June to December 2015. These foreign currency forward contracts and options were not designated for hedge accounting and were used to hedge fluctuations in the U.S. dollar value of forecasted transactions denominated in Thai baht and Canadian dollar. During the year ended June 26, 2015, the Company included unrealized loss of $0.4 million from changes in fair value of foreign currency contracts in the consolidated statements of operations and comprehensive income.

7. Allowance for doubtful accounts

The activities and balances for allowance for doubtful accounts were as follows:

	Years Ended		
(amount in thousands)	June 24, 2016	June 26, 2015	June 27, 2014
Balance, beginning of fiscal year	$ 50	$37	$109
Charged to consolidated statements of operations and comprehensive income	(17)	13	(72)
Balance, end of fiscal year	$ 33	$50	$ 37

8. Inventory

(amount in thousands)	As of June 24, 2016	As of June 26, 2015
Raw materials	$ 58,199	$ 46,065
Work in progress	94,762	69,174
Finished goods	21,593	11,843
Goods in transit	9,381	6,488
	183,935	133,570
Less: Inventory obsolescence	(2,436)	(2,957)
Inventory, net	$181,499	$130,613

9. Property, plant and equipment, net

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

(amount in thousands)	Land	Building and Building Improvement	Manufacturing Equipment	Office Equipment	Motor Vehicles	Computers	Construction and Machinery Under Installation	Total
As of June 24, 2016								
Cost	$39,048	$ 95,386	$ 96,041	$ 5,826	$ 443	$ 15,578	$23,248	$275,570
Less: Accumulated depreciation	—	(25,438)	(56,564)	(3,500)	(366)	(11,292)	—	(97,160)
Net book value	$39,048	$ 69,948	$ 39,477	$ 2,326	$ 77	$ 4,286	$23,248	$178,410
As of June 26, 2015								
Cost	$26,672	$ 86,926	$ 79,825	$ 5,378	$ 528	$ 13,196	$10,198	$222,723
Less: Accumulated depreciation	—	(21,016)	(47,017)	(3,343)	(458)	(10,235)	—	(82,069)
Net book value	$26,672	$ 65,910	$ 32,808	$ 2,035	$ 70	$ 2,961	$10,198	$140,654

During the year ended June 24, 2016, the Company purchased a parcel of land in Chonburi, Thailand, with an aggregate purchase price of approximately $12.4 million, to support the expansion of its production capacity and capabilities in Thailand. During the year ended June 26, 2015, one of Fabrinet's subsidiaries purchased a building and the associated land located in Santa Clara, California, for an aggregate purchase price of $25.5 million, to expand the Company's manufacturing facilities in the United States.

Depreciation expense amounted to $17.3 million, $12.9 million and $10.6 million for the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively, and have been allocated between cost of revenues and selling, general and administrative expenses in the consolidated statements of operations and comprehensive income. During the year ended June 27, 2014, the Company wrote-off all assets damaged from flood and reversed all asset impairment reserve as the Company fully settled with insurance companies for the Company's damaged assets claim.

The cost of fully depreciated property, plant and equipment written-off during the years ended June 24, 2016, June 26, 2015 and June 27, 2014 amounted to $2.0 million, $1.1 million and $2.6 million, respectively.

During the year ended June 24, 2016, the Company capitalized $0.1 million of interest expense in construction in progress of its new manufacturing building at Chonburi Campus. There was no interest expense capitalized in construction in progress during the year ended June 26, 2015.

10. Intangibles

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

(amount in thousands)	Gross Carrying Amount	Accumulated Amortization	Net
As of June 24, 2016			
Software	$3,786	$(3,287)	$499
Total intangibles	$3,786	$(3,287)	$499

(amount in thousands)	Gross Carrying Amount	Accumulated Amortization	Net
As of June 26, 2015			
Software	$3,357	$(3,220)	$137
Total intangibles	$3,357	$(3,220)	$137

The Company recorded amortization expense relating to intangibles of $0.1 million for each of the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

As of June 24, 2016, the estimated future amortization of intangible assets during each fiscal year was as follows:

(amount in thousand)	
2017	$114
2018	113
2019	113
2020	109
2021	50
Total	$499

11. Borrowings

The Company's total borrowings, including revolving and long-term borrowings, consisted of the following (dollars in thousands):

Rate [1]	Conditions	Maturity	As of June 24, 2016	As of June 26, 2015
Short-term borrowing:				
Revolving borrowing:				
LIBOR + 1.75% per annum	Repayable in 1 to 6 months	July 2016[2]	$ 6,500	$30,000
Current portion of long-term borrowing			18,100	6,000
			$ 24,600	$36,000
Long-term borrowing:				
LIBOR + 2.80% per annum	Repayable in quarterly installments	March 2017	$ 4,500	$10,500
Term loan borrowing:				
LIBOR + 1.75% per annum	Repayable in quarterly installments	May 2019	50,000	—
			54,500	10,500
Less: Current portion			(18,100)	(6,000)
Non-current portion			$ 36,400	$ 4,500

(1) LIBOR is London Interbank Offered Rate.
(2) In July 2016, the maturity date of this revolving borrowing was extended to mature in August 2016.

The long-term loan of a subsidiary is secured by certain property, plant and equipment. The carrying amount of assets secured and pledged as collateral as of June 24, 2016 and June 26, 2015 was $47.7 million and $50.0 million, respectively. This subsidiary is also required to comply with the maximum ratios of debt to equity and minimum levels of debt service coverage ratios, and Fabrinet must maintain an effective shareholding ratio. The carrying amounts of bank borrowings approximate their fair value.

As of June 24, 2016 and June 26, 2015, the Company was in compliance with its long-term bank borrowing agreement. In addition to financial ratios, certain of the Company's credit facilities include customary events of default.

The movements of long-term loans were as follows for the years ended June 24, 2016 and June 26, 2015:

	Years ended	
(amount in thousands)	**June 24, 2016**	**June 26, 2015**
Opening net book amount	$10,500	$16,500
Additional loan during the period	50,000	—
Repayment during the period	(6,000)	(6,000)
Closing net book amount	$54,500	$10,500

As of June 24, 2016, the future maturities of long-term debt during each fiscal year were as follows:

(amount in thousand)	
2017	$18,100
2018	13,600
2019	22,800
Total	$54,500

Credit facilities:

The Company entered into a syndicated senior credit facility agreement (the "Facility Agreement") with a consortium of banks on May 22, 2014. The Facility Agreement, led by Bank of America, provides for a $200.0 million credit line, comprised of a $150.0 million revolving loan facility and a $50.0 million delayed draw term loan facility. The revolving loan facility contains an accordion feature permitting Fabrinet to request an increase in the facility up to $100.0 million subject to customary terms and conditions and provided that no default or event of default exists at the time of request. The revolving loan facility terminates and all amounts outstanding are due and payable in full on May 22, 2019. The principal amount of any drawn term loans must be repaid according to the scheduled quarterly amortization payments, with final payment of all amounts outstanding, plus accrued interest, being due on May 22, 2019.

On February 26, 2015, the Company entered into the Second Amendment to the Facility Agreement. The amendment extended the availability period for draws on the term loan facility from May 21, 2015 to July 31, 2015. It also allows the Company, upon the satisfaction of certain conditions, to designate from time to time one or more of its subsidiaries as borrowers under the Facility Agreement. On July 31, 2015, the Company entered into the Third Amendment to the Facility Agreement. The amendment extended the availability period for draws on the term loan facility from July 31, 2015 to July 31, 2016. As of June 24, 2016, there were the $6.5 million of revolving borrowing and $50.0 million of term loan borrowing outstanding under the Facility Agreement, resulting in available credit facilities of $143.5 million. Borrowings under the revolving credit facility are classified as current liabilities in the audited consolidated balance sheet as the Company has the periodic option to renew or pay, all or a portion of, the outstanding balance at the end of the maturity date, which is in the range of one to six months, without premium or

penalty, upon notice to the administrative agent. Subsequent to the balance sheet date, the Company sent a notice to the bank to renew the maturity date of this revolving borrowing. The bank approved the notice and extended the maturity to August 2016.

Loans under the Facility Agreement bear interest, at Fabrinet's option, at a rate per annum equal to a LIBOR rate plus a spread of 1.75% to 2.50%, or a base rate, determined in accordance with the Facility Agreement, plus a spread of 0.75% to 1.50%, in each case with such spread determined based on Fabrinet's consolidated total leverage ratio for the preceding four fiscal quarter period. Interest is due and payable quarterly in arrears for loans bearing interest at the base rate and at the end of an interest period (or at each three-month interval in the case of loans with interest periods greater than three months) in the case of loans bearing interest at the LIBOR rate.

Fabrinet's obligations under the Facility Agreement are guaranteed by certain of its existing and future direct material subsidiaries. In addition, the Facility Agreement is secured by Fabrinet's present and future accounts receivable, deposit accounts and cash, and a pledge of the capital stock of certain of Fabrinet's direct subsidiaries. Fabrinet is required to maintain at least $40.0 million of cash, cash equivalents, and marketable securities at financial institutions located in the United States. Further, Fabrinet is required to maintain any of its deposits accounts or securities accounts with balances in excess of $10.0 million in a jurisdiction where a control agreement, or the equivalent under the local law, can be effected. The Facility Agreement contains customary affirmative and negative covenants. Negative covenants include, among other things, limitations on liens, indebtedness, investments, mergers, sales of assets, changes in the nature of the business, dividends and distributions, affiliate transactions and capital expenditures. The Facility Agreement contains financial covenants requiring Fabrinet to maintain: (i) a minimum tangible net worth of not less than $200.0 million plus 50% of quarterly net income, exclusive of quarterly losses; (ii) a minimum debt service coverage ratio of not less than 1.50:1.00; (iii) a maximum senior leverage ratio of not more than 2.50:1.00; and (iv) a minimum quick ratio of not less than 1.10:1.00. Each of these financial covenants is calculated on a consolidated basis for the consecutive four fiscal quarter period then ended. As of June 24, 2016, the Company was in compliance with all covenants under the Facility Agreement.

The Facility Agreement also contains customary events of default including, among other things, payment defaults, breaches of covenants or representations and warranties, cross-defaults with certain other indebtedness, bankruptcy and insolvency events and change in control of Fabrinet, subject to grace periods in certain instances. Upon an event of default, the lenders may terminate their commitments, declare all or a portion of the outstanding obligations payable by Fabrinet to be immediately due and payable and exercise other rights and remedies provided for under the Facility Agreement.

Fabrinet intends to use the proceeds of the credit line to finance its future expansion in the United States and Thailand, and for general corporate purposes including mergers and acquisitions of complementary manufacturing businesses or technology, although Fabrinet has no current commitments with respect to any such acquisitions.

Undrawn available credit facilities classified by available period of future borrowing as of June 24, 2016 and June 26, 2015 were as follows:

(amount in thousands)	**June 24, 2016**	**June 26, 2015**
Short-term	$ 1,414	$ 1,480
Long-term	$143,500	$170,000

12. Severance liabilities

The following table provides the information of the severance liabilities:

(amount in thousands)	As of June 24, 2016	As of June 26, 2015
Balance, beginning of the fiscal year	$5,477	$4,453
Charged to selling, general and administrative expenses in the consolidated statements of operations and comprehensive income	1,207	1,024
Balance, end of the fiscal year	$6,684	$5,477

The amount recognized in the consolidated balance sheets under non-current liabilities was determined as follows:

(amount in thousands)	As of June 24, 2016	As of June 26, 2015
Present value of defined benefit obligation	$6,684	$5,477
Total	$6,684	$5,477

The amount recognized in the consolidated statements of operations and comprehensive income was as follows:

	Years Ended		
(amount in thousands)	June 24, 2016	June 26, 2015	June 27, 2014
Current service cost	$ 842	$ 360	$ 368
Interest cost	203	203	207
Benefit paid	(11)	(10)	(223)
Actuarial loss (gain) on obligation	173	471	(281)
Total	$1,207	$1,024	$ 71

The principal actuarial assumptions used were as follows:

	Years Ended		
	June 24, 2016	June 26, 2015	June 27, 2014
Discount rate	2.0% - 3.2%	4.0%	4.9%
Future salary increases	4.1% - 10.0%	4.2%	4.2%

13. Share-based compensation

Share-based compensation

In determining the fair value of share option awards, the Company is required to make estimates of expected dividends to be issued, expected volatility of Fabrinet's ordinary shares, expected forfeitures of the awards, risk free interest rates for the expected term of the awards and expected terms of the awards. Forfeitures are estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures differ from those estimates. The fair value of restricted share units is based on the market value of our ordinary shares on the date of grant.

The effect of recording share-based compensation expense for the years ended June 24, 2016, June 26, 2015 and June 27, 2014 was as follows:

	Years Ended		
(amount in thousands)	**June 24, 2016**	**June 26, 2015**	**June 27, 2014**
Share-based compensation expense by type of award:			
Share options	$ 16	$ 226	$ 802
Restricted share units	9,911	7,801	4,745
Total share-based compensation expense	9,927	8,027	5,547
Tax effect on share-based compensation expense	—	—	—
Net effect on share-based compensation expense	$9,927	$8,027	$5,547

Share-based compensation expense was recorded in the consolidated statements of operations and comprehensive income as follows:

	Years Ended		
(amount in thousands)	**June 24, 2016**	**June 26, 2015**	**June 27, 2014**
Cost of revenue	$1,979	$1,450	$1,182
Selling, general and administrative expense	7,948	6,577	4,365
Total share-based compensation expense	$9,927	$8,027	$5,547

The Company did not capitalize any share-based compensation expense as part of any asset costs during the years ended June 24, 2016, June 26, 2015 and June 27, 2014.

Share-based award activity

Share options have been granted to directors and employees. As of June 24, 2016, there were five share options outstanding under the Amended and Restated 1999 Share Option Plan ("1999 Plan"). Additional option grants may not be made under the 1999 Plan.

As of June 24, 2016, there were an aggregate of 464,329 share options and 1,181,402 restricted share units outstanding. As of June 24, 2016, there were 2,207,607 ordinary shares available for future grant under Fabrinet's 2010 Performance Incentive Plan ("2010 Plan"). The 1999 Plan and 2010 Plan are collectively referred to as the "Share Option Plans".

Share options

Fabrinet's board of directors has the authority to determine the type of option and the number of shares subject to an option. Options generally vest and become exercisable over four years and expire, if not exercised, within seven years of the grant date. In the case of a grantee's first grant, 25 percent of the underlying shares subject to an option vest 12 months after the vesting commencement date and 1/48 of the underlying shares vest monthly over each of the subsequent 36 months. In the case of any additional grants to a grantee, 1/48 of the underlying shares subject to an option vest monthly over four years, commencing one month after the vesting commencement date.

The following table summarizes share options activity:

	Number of Shares	Number of Exercisable Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value
Balance as of June 28, 2013	1,277,311	750,949	$15.37	
Granted	—		—	—
Exercised	(351,435)		$13.00	
Forfeited	(26,276)		$15.54	
Expired	(33,710)		$16.93	
Balance as of June 27, 2014	865,890	666,305	$16.27	
Granted	—		—	—
Exercised	(56,968)		$14.67	
Forfeited	(8,347)		$15.90	
Expired	(8,556)		$21.44	
Balance as of June 26, 2015	792,019	758,451	$16.33	
Granted	—		—	—
Exercised	(325,530)		$16.83	
Forfeited	(755)		$17.10	
Expired	(1,400)		$23.62	
Balance as of June 24, 2016	464,334	464,334	$15.95	
Expected to vest as of June 24, 2016	464,334		$15.95	

The fair value of each share options grant was determined by the Company using the methods and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment and management estimate to determine.

The total fair value of shares vested during the years ended June 24, 2016, June 26, 2015 and June 27, 2014 was $0.2 million, $1.1 million and $2.0 million, respectively. The total intrinsic value of options exercised during the years ended June 24, 2016 June 26, 2015 and June 27, 2014 was $3.6 million, $0.2 million and $2.2 million, respectively. In conjunction with these exercises, there was no tax benefit realized by the Company due to the fact that it is exempted from income tax. The amount of cash received from the exercise of share options was $5.5 million during the year ended June 24, 2016.

Valuation Method—The Company estimated the fair value of the Company's ordinary shares to be used in the BSM by taking into consideration a number of assumptions, as discussed below.

Expected Dividend—The Company used zero as an annualized dividend yield since it did not anticipate paying any cash dividends in the near future.

Expected Volatility—The Company determined the expected volatility based on the Company's historical volatility over the last four years.

Risk-Free Interest Rate—The Company based the risk-free interest rate on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term of the option.

Expected Term—Expected terms used in the BSM represent the periods that the company's share options are expected to be outstanding and are determined based on the Company's historical experience of similar awards, giving consideration to the contractual terms of the share options, vesting schedules and expectations of future employee behavior.

Vesting Period—Fabrinet's share options generally vest and become exercisable over a four-year period, and expire seven years from the date of grant. For an initial grant, 25 percent of the underlying shares subject to an option vest 12 months after the vesting commencement date and 1/48 of the underlying shares vest monthly over each of the subsequent 36 months. In the case of any additional grants to an optionee, 1/48 of the underlying shares subject to an option vest monthly over four years, commencing one month after the vesting commencement date.

Fair Value—The fair value of Fabrinet's share options granted to employees was estimated using the weighted-average for each assumption of expected volatility, risk-free rate of return, and expected term.

The following table summarizes information for share options outstanding as of June 24, 2016 under the share options plan:

	Number of Shares Underlying Options	Exercise Price Per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value *(amount in thousands)*
	5	$ 5.75	0.40	
	255,428	$16.83	1.30	
	30,000	$15.05	1.36	
	5,900	$25.50	1.56	
	2,400	$26.16	1.61	
	9,943	$15.16	2.15	
	155,066	$14.12	2.38	
	5,550	$18.60	2.68	
	42	$12.83	2.87	
Options outstanding	464,334		1.71	$8,830
Options exercisable	464,334		1.71	$8,830
Expected to vest as of June 24, 2016	464,334		1.71	$8,830

As of June 24, 2016, there was no unrecognized compensation cost under the Share Option Plans.

Restricted share units

Restricted share units are one type of share-based award that may be granted under the 2010 Plan. Restricted share units granted to non-employee directors generally cliff vest 100% on the first of January, approximately one year from the grant date, provided the director continues to serve through such date. Restricted share units granted to employees generally vest in four equal installments over four years on each anniversary of the vesting commencement date.

On May 24, 2015, the Company entered into an amended and restated employment agreement with an executive of the Company that provides for accelerated vesting of equity awards under certain circumstances. Under the agreement, any equity award granted to the executive after February 20, 2017, shall vest over a period not longer than two years following the applicable grant date. If the executive's employment with the Company continues through and including February 20, 2017, any outstanding equity award grants before February 20, 2017 will become 100% vested.

The following table summarizes restricted share unit activity:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance as of June 28, 2013	545,668	$12.81
Granted	479,894	$15.37
Issued	(184,773)	$12.98
Forfeited	(78,494)	$14.25
Balance as of June 27, 2014	762,295	$14.23
Granted	666,582	$17.53
Issued	(247,593)	$14.44
Forfeited	(40,357)	$16.68
Balance as of June 26, 2015	1,140,927	$16.03
Granted	654,589	$21.15
Issued	(507,621)	$15.60
Forfeited	(106,493)	$18.34
Balance as of June 24, 2016	1,181,402	$18.34
Expected to vest as of June 24, 2016	1,076,704	$18.65

The fair value of restricted share units is based on the market value of our ordinary shares on the date of grant.

The total fair value of restricted share units vested during the year ended June 24, 2016, June 26, 2015 and June 27, 2014 was $7.9 million, $3.6 million and $2.4 million, respectively. The aggregate intrinsic value of restricted share units outstanding as of June 24, 2016 was $41.3 million.

As of June 24, 2016, there was $8.8 million of unrecognized share-based compensation expense related to restricted share units under the 2010 Plan that is expected to be recorded over a weighted-average period of 2.72 years.

For the years ended June 24, 2016 and June 26, 2015, the Company withheld an aggregate of 114,359 shares and 19,679 shares, respectively, upon the vesting of restricted share units, based upon the closing share price on the vesting date to settle the employees' minimum statutory obligation for the applicable income and other employment taxes. For fiscal year 2016 and fiscal year 2015, the Company then remitted cash of $2.5 million and $0.4 million, respectively, to the appropriate taxing authorities, and presented it as a financing activity within the consolidated statements of cash flows. The payment had the effect on shares issued by the Company as it reduced the number of shares that would have been issued on the vesting date and was recorded as a reduction of additional paid-in capital.

14. Employee benefit plans

Employee contribution plan

The Company operates a defined contribution plan, known as a provident fund, in its subsidiary in Thailand. The assets of this plan are in a separate trustee-administered fund. The provident fund is funded by matching payments from employees and by the subsidiary on a monthly basis. Current contributions to the provident fund are accrued and paid to the fund manager on a monthly basis. The Company's contributions to the provident fund amounted to $2.8 million, $2.3 million and $2.1 million during the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

The Company sponsors the Fabrinet U.S. 401(k) Retirement Plan ("401(k) Plan"), a Defined Contribution Plan under ERISA, at its subsidiaries in the United States which provides retirement benefits for eligible employees through tax deferred salary deductions. The 401(k) Plan allows employees to contribute up to

80% of their annual compensation, subject to annual contributions limits established by the Internal Revenue Service. The Company provides for a 100% match of employees' contributions to the 401(k) Plan up to the first 6% of annual compensation. All matching contributions are made in cash and vest immediately. The Company's matching contributions to the 401(k) Plan were $0.5 million, $0.3 million and $0.2 million during the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

Executive incentive plan and employee performance bonuses

For the years ended June 24, 2016 and June 26, 2015, the Company maintained an executive incentive plan with quantitative objectives, based on achieving certain revenue and non-GAAP earnings per share targets as well as qualitative objectives, based on achieving individual performance goals for the applicable fiscal year. For the year ended June 27, 2014, the Company maintained an executive incentive plan with quantitative objectives, based on achieving certain revenue and gross margin targets as well as qualitative objectives, based on achieving individual performance goals for the fiscal year. During the years ended June 24, 2016, June 26, 2015 and June 27, 2014, discretionary merit-based bonus awards were also available to Fabrinet's non-executive employees.

Bonus distributions to employees were $7.5 million, $6.0 million and $5.1 million for the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

15. Shareholders' equity

Fabrinet's authorized share capital is 500,000,000 ordinary shares, par value of $0.01 per ordinary share, and 5,000,000 preferred shares, par value of $0.01 per preferred share.

For the year ended June 24, 2016, Fabrinet issued 325,530 ordinary shares upon the exercise of options, for cash consideration at a weighted average exercise price of $16.83 per share, and 393,262 ordinary shares upon the vesting of restricted share units, net of shares withheld.

For the year ended June 26, 2015, Fabrinet issued 56,968 ordinary shares upon the exercise of options, for cash consideration at a weighted average exercise price of $14.67 per share, and 227,914 ordinary shares upon the vesting of restricted share units, net of shares withheld.

For the year ended June 27, 2014, Fabrinet issued 351,435 ordinary shares upon the exercise of options, for cash consideration at a weighted average exercise price of $13.00 per share, and 166,370 ordinary shares upon the vesting of restricted share units, net of shares withheld.

All such issued shares are fully paid.

16. Accumulated other comprehensive income (loss)

The changes in AOCI by component for the years ended June 24, 2016 and June 26, 2015 were as follows:

(amount in thousands)	Unrealized net (Losses)/Gains on Marketable Securities	Unrealized net (Losses)/Gains on Derivative Instruments	Total
Balance as of June 27, 2014	$ —	$ —	$ —
Other comprehensive income before reclassification	(193)	—	(193)
Amounts reclassified from AOCI	149	—	149
Tax effects	—	—	—
Other comprehensive income	(44)	—	(44)
Balance as of June 26, 2015	(44)	—	(44)
Other comprehensive income before reclassification	637	(298)	339
Amounts reclassified from AOCI	(194)	490	296
Tax effects	—	—	—
Other comprehensive income	443	192	635
Balance as of June 24, 2016	$ 399	$ 192	$ 591

The following table presents the pre-tax amounts reclassified from AOCI into the consolidated statements of operations and comprehensive income for the year ended June 24, 2016 and June 26, 2015, respectively (amounts in thousands).

AOCI components	Financial statements line item	Years ended June 24, 2016	Years ended June 26, 2015
Unrealized (losses) gains on marketable securities	Interest income	$(194)	$149
Unrealized gains on derivative instruments	Cost of revenues	471	—
	Selling, general and administrative expenses	19	—
Total amounts reclassified from AOCI		$ 296	$149

17. Commitments and contingencies

Bank guarantees

As of June 24, 2016 and June 26, 2015, there were outstanding bank guarantees given by bank on behalf of our subsidiary in Thailand for electricity usage and other normal business amounting to $0.8 million.

Operating lease commitments

The Company leases a portion of its capital equipment, vehicle, and certain land and buildings for its facilities in Thailand, Cayman Islands, China and the United States under operating lease arrangements that expire in various years through 2021. Rental expense under these operating leases amounted to $1.2 million, $1.1 million and $0.8 million for the years ended June 24, 2016, June 26, 2015 and June 27, 2014, respectively.

As of June 24, 2016, the future minimum lease payments due under non-cancelable operating leases during each fiscal year were as follows:

(amount in thousands)	
2017	$1,347
2018	1,275
2019	718
2020	510
2021	113
Total future minimum operating lease payments	$3,963

Purchase obligations

Purchase obligations represent legally-binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements. Although open purchase orders are considered enforceable and legally binding, their terms generally give the Company the option to cancel, reschedule and/or adjust its requirements based on its business needs prior to the delivery of goods or performance of services. Obligations to purchase inventory and other commitments are generally expected to be fulfilled within one year.

As of June 24, 2016, the Company had an outstanding commitment to third parties of $22.2 million, mainly related to the construction of a new manufacturing building at the Company's Chonburi Campus.

Indemnification of directors and officers

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of directors and officers, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Fabrinet's amended and restated memorandum and articles of association provide for indemnification of directors and officers for actions, costs, charges, losses, damages and expenses incurred in their capacities as such, except that such indemnification does not extend to any matter in respect of any fraud or dishonesty that may attach to any of them.

In accordance with Fabrinet's form of indemnification agreement for its directors and officers, Fabrinet has agreed to indemnify its directors and officers against certain liabilities and expenses incurred by such persons in connection with claims by reason of their being such a director or officer. Fabrinet maintains a director and officer liability insurance policy that may enable it to recover a portion of any future amounts paid under the indemnification agreements.

18. Business segments and geographic information

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is Fabrinet's chief executive officer. As of June 24, 2016, June 26, 2015 and June 27, 2014, the Company operated and internally managed a single operating segment. Accordingly, the Company does not accumulate discrete information with respect to separate product lines and does not have separate reportable segments.

Total revenues are attributed to a particular geographic area based on the bill-to-location of the customer. The Company operates primarily in three geographic regions: North America, Asia-Pacific and Europe. The following table presents total revenues by geographic regions:

	Years Ended		
(amount in thousands)	**June 24, 2016**	**June 26, 2015**	**June 27, 2014**
North America	$525,161	$370,836	$326,647
Asia-Pacific	351,033	309,941	230,314
Europe	100,553	92,810	120,893
Total	$976,747	$773,587	$677,854

As of June 24, 2016 and June 26, 2015, the Company had approximately $34.7 million and $31.8 million, respectively, of long-lived assets based in North America, with the substantial remainder of assets based in Asia-Pacific.

The following table presents revenues by end market:

	Years Ended		
(amount in thousands)	**June 24, 2016**	**June 26, 2015**	**June 27, 2014**
Optical communications	$727,580	$553,245	$484,071
Lasers, sensors, and other	249,167	220,342	193,783
Total	$976,747	$773,587	$677,854

Significant customers

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

	Years Ended		
	June 24, 2016	**June 26, 2015**	**June 27, 2014**
Lumentum Operations LLC	20%	20%	24%
Oclaro, Inc.	* (1)	10%	22%

(1) Less than 10% of total revenue.

Accounts receivable from individual customers representing 10% or more of accounts receivable as of June 24, 2016, June 26, 2015 and June 27, 2014, respectively, were as follows:

	Years Ended		
	June 24, 2016	**June 26, 2015**	**June 27, 2014**
Lumentum Operations LLC	18%	19%	23%
Valeo	11%	11%	10%
Oclaro, Inc.	* (1)	* (1)	14%

(1) Less than 10% of total accounts receivable.

19. Financial instruments

Objectives and significant terms and conditions

The principal financial risks faced by the Company are foreign currency risk and interest rate risk. The Company borrows at floating rates of interest to finance its operations. A minority of sales and purchases

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

The Company enters into short-term foreign currency forward and option contracts to manage foreign currency exposures associated with certain assets, liabilities and other forecasted foreign currency transactions and may designate these instruments as hedging instruments. The foreign currency forward and option contracts generally have maturity of up to six months. All foreign currency exchange contracts are recognized on the consolidated balance sheets at fair value. Gain or loss on the Company's derivative instruments generally offset the assets, liabilities and transactions economically hedged.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Thai baht and Chinese Renminbi ("RMB").

As of June 24, 2016 and June 26, 2015, the Company had outstanding foreign currency assets and liabilities as follows:

	As of June 24, 2016		As of June 26, 2015	
(amount in thousands)	**Currency**	**$**	**Currency**	**$**
Assets				
Thai baht	834,536	$23,594	377,785	$11,596
RMB	14,835	2,255	67,455	11,029
Total		$25,849		$22,625
Liabilities				
Thai baht	1,517,782	$42,912	860,425	$26,410
RMB	24,654	3,748	20,461	3,347
Total		$46,660		$29,757

The Thai baht assets represent cash and cash equivalents, accounts receivable, deposits and other current assets. The Thai baht liabilities represent trade accounts payable, accrued expenses and other payables. The Company manages its exposure to fluctuations in foreign exchange rates by the use of foreign currency contracts and offsetting assets and liabilities denominated in the same currency in accordance with management's policy. As of June 24, 2016 and June 26, 2015, there was $84.5 million in forward contracts and $41.0 million in options contracts, respectively, outstanding on the Thai baht payables.

The RMB assets represent cash and cash equivalents, accounts receivable and other current assets. The RMB liabilities represent trade accounts payable, accrued expenses and other payables. As of June 24, 2016 and June 26, 2015, there were no selling RMB to U.S. dollar forward contracts outstanding.

For fiscal year 2016 and fiscal year 2015, we recorded unrealized loss of $1.8 million and $0.4 million, respectively, related to derivatives that are not designated as hedging instruments in our consolidated statements of operations and comprehensive income.

Interest Rate Risk

The Company's principal interest bearing assets are time deposits and short-term investments with maturities of three months or less held with high quality financial institutions. The Company's principal interest bearing liabilities are bank loans which bear interest at floating rates.

20. Income related to flooding

During the week of August 10, 2015, the Company's subsidiary in China temporarily suspended production in its manufacturing facility due to flooding caused by Typhoon Soudelor and resumed operations on

August 15, 2015. During the year ended June 24, 2016, the Company recognized income related to flooding of $0.04 million, which consisted of a $0.90 million final payment from an insurer against the Company's claim for flood damage, offset by expenses in relation to flood of $0.86 million, which mainly consisted of $0.6 million of repaired cost of equipment and $0.2 million of inventory losses.

During the year ended June 27, 2014, the Company recognized income related to severe flooding during fiscal year 2012 of $44.7 million, which mainly consisted of a $45.2 million final payment from the Company's insurers against its claims for owned and consigned equipment and inventory, offset by $0.5 million of other expenses from write-offs of advance payments to a customer due to flood-related losses in Thailand.

21. Expenses related to reduction in workforce

As part of the Company's ongoing efforts to achieve greater efficiencies in all areas of its business, during the year ended June 26, 2015, the Company implemented a reduction in workforce and incurred expenses of approximately $1.2 million which represented severance and benefits costs incurred for the termination of approximately 100 employees in accordance with contractual obligations and local regulations.

22. Subsequent event

Separation agreement

During August 2016, the Company incurred severance expenses of approximately $0.7 million in connection with a separation agreement which the Company entered into with an employee who resigned in July 2016.

UNAUDITED QUARTERLY FINANCIAL INFORMATION

The following tables set forth a summary of the Company's quarterly financial information for each of the four quarters in the fiscal years ended June 24, 2016 and June 26, 2015:

	Three Months Ended							
(in thousands, except per share data)	**Jun 24, 2016**	**Mar 25, 2016**	**Dec 25, 2015**	**Sep 25, 2015**	**Jun 26, 2015**	**Mar 27, 2015**	**Dec 26, 2014**	**Sep 26, 2014**
Total revenues	$276,388	$250,888	$233,038	$216,433	$206,456	$189,453	$188,353	$189,325
Gross profit	$ 33,842	$ 31,177	$ 28,493	$ 26,011	$ 24,549	$ 21,657	$ 21,061	$ 20,506
Net income	$ 19,669	$ 20,822	$ 19,803	$ 1,603	$ 13,035	$ 10,845	$ 8,726	$ 11,036
Basic net income per share:								
Net income	$ 0.55	$ 0.58	$ 0.55	$ 0.05	$ 0.37	$ 0.31	$ 0.25	$ 0.31
Weighted-average shares used in basic net income per share calculations	36,075	35,964	35,812	35,579	35,431	35,406	35,349	35,230
Diluted net income per share:								
Net income	$ 0.53	$ 0.56	$ 0.54	$ 0.04	$ 0.36	$ 0.30	$ 0.24	$ 0.31
Weighted-average shares used in diluted net income per share calculations	37,258	37,089	36,826	36,315	36,320	36,110	35,917	35,587

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), as of the end of the period covered by this Annual Report on Form 10-K. Based on their evaluation, our management concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to disclose in reports we file or submit under the Exchange Act, (i) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, and (ii) is accumulated and communicated to Fabrinet's management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 24, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control

over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately, and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has assessed the effectiveness of our internal control over financial reporting as of June 24, 2016. In making this assessment, management used the criteria described in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on their assessment, management concluded that we maintained effective internal control over financial reporting as of the end of fiscal year 2016, based on the criteria in Internal Control—Integrated Framework (2013) issued by COSO. The effectiveness of our internal control over financial reporting as of June 24, 2016 has been audited by PricewaterhouseCoopers ABAS Ltd., an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2016 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K (the "2016 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION.

Information responsive to this item is incorporated herein by reference to our 2016 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information responsive to this item is incorporated herein by reference to our 2016 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information responsive to this item is incorporated herein by reference to our 2016 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information responsive to this item is incorporated herein by reference to our 2016 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

1. *Financial Statements*: See Index to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

2. *Financial Statement Schedules*: All schedules are omitted because they are not required, are not applicable or the information is included in the consolidated financial statements or notes thereto.

3. *Exhibits*: We have filed, or incorporated by reference into this Annual Report on Form 10-K, the exhibits listed on the accompanying Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

(b) Exhibits: See Item 15(a)(3), above.

(c) Financial Statement Schedules: See Item 15(a)(2), above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 17, 2016.

FABRINET

By: /s/ TOH-SENG NG

Name: **Toh-Seng Ng**

Title: **Executive Vice President and Chief Financial Officer**

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David T. Mitchell and Toh-Seng Ng and each of them, as his true and lawful attorney-in-fact and agent with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAVID T. MITCHELL **David T. Mitchell**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	August 17, 2016
/s/ TOH-SENG NG **Toh-Seng Ng**	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 17, 2016
/s/ HOMA BAHRAMI **Homa Bahrami**	Director	August 17, 2016
/s/ THOMAS F. KELLY **Thomas F. Kelly**	Director	August 17, 2016
/s/ FRANK H. LEVINSON **Frank H. Levinson**	Director	August 17, 2016
/s/ ROLLANCE E. OLSON **Rollance E. Olson**	Director	August 17, 2016

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File No.
3.1	Amended and Restated Memorandum and Articles of Association	S-1/A	3.1	May 3, 2010	333-163258
4.1	Specimen Ordinary Share Certificate	S-1/A	4.1	June 14, 2010	333-163258
4.2	Registration Rights Agreement, dated June 22, 2010, by and among the registrant, Asia Pacific Growth Fund III, L.P., H&Q Asia Pacific, Ltd., the David T. Mitchell Separate Property Trust, the Gabriel T. Mitchell Trust, the Alexander T. Mitchell Trust, the Sean T. Mitchell Trust, JDS Uniphase Corporation and Shea Ventures, LLC	S-1/A	10.26	June 14, 2010	333-163258
4.3	Amendment No. 1 to Registration Rights Agreement, dated February 6, 2013, among Fabrinet, Asia Pacific Growth Fund III, L.P., H&Q Asia Pacific, Ltd., the David T. Mitchell Separate Property Trust, the Gabriel T. Mitchell Trust, the Alexander T. Mitchell Trust and the Sean T. Mitchell Trust	8-K	4.1	February 8, 2013	001-34775
10.1.1+	Fabrinet 2010 Performance Incentive Plan, as amended	10-K	10.2.1	October 16, 2014	001-34775
10.1.2+	Form of Share Option Agreement under the Fabrinet 2010 Performance Incentive Plan	10-Q	10.2	February 5, 2013	001-34775
10.1.3+	Form of Restricted Share Agreement under the Fabrinet 2010 Performance Incentive Plan	10-Q	10.3	February 5, 2013	001-34775
10.1.4+	Form of Restricted Share Unit Agreement under the Fabrinet 2010 Performance Incentive Plan	10-Q	10.4	February 5, 2013	001-34775
10.2+	Amended and Restated Employment Agreement, dated May 24, 2015, by and between David T. Mitchell and the registrant	10-K	10.3	August 19, 2015	001-34775
10.3+	Amended and Restated Offer Letter, dated February 5, 2015, by and between Dr. Harpal Gill and Fabrinet USA, Inc.	8-K	10.1	February 12, 2015	001-34755
10.4+	Employment Agreement, dated July 1, 2007, by and between Dr. Harpal Gill and Fabrinet Co., Ltd.	S-1	10.5	November 7, 2007	333-147191

Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File No.
10.5+	Description of Fiscal 2016 Executive Incentive Plan	8-K, Item 5.02	N/A	August 19, 2015	001-34755
10.6+	Description of Fiscal 2015 Executive Incentive Plan	8-K, Item 5.02	N/A	November 3, 2014	001-34755
10.7+	Description of Fiscal 2016 Long-Term Equity Plan	8-K, Item 5.02	N/A	August 28, 2015	001-34755
10.8+	Offer Letter, dated November 5, 2015, between Hong Hou and Fabrinet USA, Inc.	10-Q	10.1	May 3, 2016	001-34755
10.9+	Amended and Restated Offer Letter, dated February 5, 2015, between the registrant and Toh-Seng Ng	8-K	10.2	February 12, 2015	001-34755
10.10+	Form of Indemnification Agreement	S-1/A	10.10	January 28, 2010	333-163258
10.11	Manufacturing Agreement, dated May 29, 2005, by and between the registrant and FBN New Jersey Holdings Corp.	S-1	10.10	November 7, 2007	333-147191
10.12	Manufacturing Agreement, dated January 2, 2000, by and between the registrant and Fabrinet Co., Ltd.	S-1	10.11	November 7, 2007	333-147191
10.13	Administrative Services Agreement, dated January 2, 2000, by and between the registrant and Fabrinet USA, Inc.	S-1	10.12	November 7, 2007	333-147191
10.14	Administrative Services Agreement, dated July 3, 2008, by and between the registrant and Fabrinet Pte. Ltd.	S-1	10.14	November 20, 2009	333-163258
10.15.1	Credit Agreement, dated as of May 22, 2014, by and among Fabrinet, the guarantors from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A. as administrative agent.	8-K	10.1	May 22, 2014	001-34775
10.15.2	First Amendment to Credit Agreement, effective as of September 25, 2014, by and among Fabrinet, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent.	10-Q	10.1	November 5, 2014	001-34775
10.15.3	Second Amendment to Credit Agreement, dated as of February 26, 2015, by and among Fabrinet, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent.	8-K	10.1	March 2, 2015	001-34775

Exhibit Number	Description	Form	Incorporated by reference herein		File No.
			Exhibit No.	Filing Date	
10.15.4	Third Amendment to Credit Agreement, dated as of July 31, 2015, by and among Fabrinet, the designated borrowers party thereto, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent.	8-K	10.1	August 5, 2015	001-34775
10.16	Security and Pledge Agreement, dated as of May 22, 2014, by and between Fabrinet and Bank of America, N.A. as administrative agent.	8-K	10.2	May 22, 2014	001-34775
10.17	Lease Agreement, dated July 1, 2013, by and between Donly Corporation and FBN New Jersey Manufacturing, Inc. DBA VitroCom	10-K	10.16	August 16, 2013	001-34775
10.18†	Primary Contract Manufacturing Agreement, dated January 1, 2008, by and between JDS Uniphase Corporation and the registrant	S-1/A	10.27	January 19, 2010	333-163258
10.19	Facility Agreement, dated April 25, 2014, between TMB Bank Public Company Limited, Fabrinet and Fabrinet Company Limited	10-K	10.21	October 16, 2014	001-34775
10.20	Facility Agreement, dated May 12, 2011, between TMB Bank Public Company Limited, Fabrinet and Fabrinet Co., Ltd.	8-K	10.1	August 16, 2011	001-34755
10.21	General Terms and Conditions of Facility, dated May 12, 2011, between TMB Bank Public Company Limited, Fabrinet and Fabrinet Co., Ltd.	8-K	10.2	August 16, 2011	001-34755
10.22	Confirmation for Cross Currency Swap Transaction, dated May 12, 2011, between TMB Bank Public Company Limited, Fabrinet and Fabrinet Co., Ltd.	8-K	10.3	August 16, 2011	001-34755
10.23	Land Purchase Agreement, dated September 2, 2015, by and among Fabrinet Co., Ltd. and Hemaraj Land and Development Public Company Limited	10-Q	10.4	November 3, 2015	001-34775

Exhibit Number	Description	Incorporated by reference herein			
		Form	Exhibit No.	Filing Date	File No.
10.24	Construction Contract, dated October 30, 2015, by and among Fabrinet Co., Ltd. and Standard Performance Co., Ltd.	10-Q	10.1	February 2, 2016	001-34775
21.1	List of Subsidiaries				
23.1	Consent of PricewaterhouseCoopers ABAS Ltd.				
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)				
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	XBRL Instance				
101.SCH	XBRL Taxonomy Extension Schema				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase				
101.DEF	XBRL Taxonomy Extension Definition Linkbase				
101.LAB	XBRL Taxonomy Extension Label Linkbase				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase				

+ Indicates management contract or compensatory plan.
† Confidential treatment has been requested for portions of this exhibit.

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