GLOBAL-TECH APPLIANCES INC.
AND SUBSIDIARIES

ANNUAL REPORT

MARCH 31, 2008

FORWARD-LOOKING STATEMENTS

Except for historical information, certain statements contained herein are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," “should,” "estimates," or variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including but not limited to, the impact of competitive products and pricing, demand for new and existing products in our core business, the financial condition of the Company’s customers, product demand and market acceptance especially of our new products, the success of new product development especially in the area of cellular phone components and solutions, compact camera modules and other pending projects, reliance on material customers, suppliers and key strategic alliances, the terms and conditions of customer contracts and purchase orders, availability and cost of raw materials, the timely and proper execution of certain business plans, including the plan to diversify and transform a portion of manufacturing capacity to higher-value, technology-oriented products, currency fluctuations, including the revaluation of the Chinese Renminbi, the imposition by China’s trading partners of economic sanctions and/or protective tariffs on Chinese manufactured goods, uncertainties associated with investments, the regulatory environment, fluctuations in operating results, the impact of changing global, political and economic conditions and other risks detailed from time to time in the Company's filings with the U.S. Securities and Exchange Commission including its most recent Report on Form 20-F. The Company does not undertake to update its forward-looking information, or any other information contained or referenced in this press release to reflect future events or circumstances.

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LETTER TO OUR SHAREHOLDERS

Fiscal 2008 was a better year for the Company, but still not good enough to return us to profitability. While we are in the midst of implementing our programs to diversify and transform the Company from an export-driven appliance manufacturer to a supplier of electronic and optical components for the China market, we are still in the early stages of addressing how to achieve satisfactory gross profit margins. However, we remain dedicated to achieving both our growth and profitability objectives in the near future.

Net sales for the fiscal year ended March 31, 2008 increased 75% to $105.5 million, compared to $60.3 million in fiscal 2007. Net sales for fiscal 2008 included sales of approximately $39.0 million of complementary metal oxide semiconductor (CMOS) camera modules (CCMs), an increase of 220% when compared to $12.2 million in fiscal 2007. Our home appliance business, which is now basically a floor care OEM business, also grew nearly 40% to $65.4 million. Operating loss for fiscal 2008 was $2.4 million, a $5.9 million improvement over the operating loss of $8.3 million in the prior fiscal year. Net loss for fiscal 2008 was $4.4 million, or $0.36, per share, compared to a net loss of $1.2 million, or $0.10 per share, in fiscal 2007. Net loss for fiscal 2007 included a non-recurring gain of approximately $4.0 million, which was reflected in gain on disposal of subsidiaries resulting from a joint-venture project. The net loss in fiscal 2008, therefore, does not reflect the progress we made in the last year.

Our core business (mostly floor care products) is now primarily dedicated to serving one major customer, who continues to market high-quality and reasonably-priced products in the U.S. and Europe. It is our intention to work diligently to retain this relationship, which we believe to be advantageous for both companies. With the current business and economic uncertainties, it's our opinion that cultivating trustworthy and reliable relationships become far more important than pursuing cheaper alternatives. At the same time, we also need to recognize that the cost advantages of Chinese manufacturing are rapidly diminishing, specifically as a result of higher labor cost. As a result, we expect Chinese companies to begin focusing more on the production of high-tech products. We believe that production of the bulk of low-value products may eventually migrate to places with lower labor cost, so future opportunities for our export core business could be reduced.

Over the last two years, our focus has shifted to the Chinese market through leveraging our internal assets and resources. Our diversification program initially concentrated on certain export-oriented products, such as displays and LCD TVs, where we encountered setbacks due to cost competition and compatibility issues with some major Korean and Taiwanese manufacturers. Once we recognized our limitations, we quickly concentrated our attention to defining our valuable assets and skills. Initially, we identified opportunities for CCM products in the computer, digital camera, and medical businesses that we can pursue in the near term as we have proven our ability to manufacture CCMs for the Chinese telecommunication market. Secondly, we have adequate liquidity in the near term to avoid borrowing in today's unstable credit climate, thus not disrupting our ongoing plans to expand our Chinese business. Thirdly, our clean room, surface mount, assembly, and state-of-the-art testing equipment are in place and ready to support and take advantage of any CCM-related business opportunities as they develop.

While we expect our current CCM business, which caters mostly to cellular phone customers in China, to grow in fiscal 2009, the rate of growth is expected to be less significant than in fiscal 2008 since the cellular phone market is currently experiencing a slowdown. Additionally, there are uncertainties in the near term as the credit climate is adversely affecting many economies worldwide. Even though consumers in Asia are more inclined to update their cellular phones annually as compared to other consumers, current economic conditions may alter this trend. Therefore, the key to achieve growth is for us to develop other products and applications incorporating CCMs. As such, we are developing a line of home security products that is starting to achieve modest success, but our main thrust is the development of a line of disposable endoscopic devices for medical purposes. Prototypes of these new medical devices are being evaluated by potential customers and we are in the process of preparing our factory for certification so as to enable us to produce and market these devices. We are in the final stages of developing a marketing team to promote these devices to hospitals all over China. We strongly believe that these devices will be marketable in China as the convenience and cost advantages of using disposable endoscopes over traditional non-disposable devices could be appealing to hospitals. While we remain cautiously optimistic of achieving success with these new medical devices, our success will depend, in part, on obtaining the necessary approval from various governmental agencies in a timely fashion.

While we are focusing on the development of these devices, we believe we can also be a subcontractor or even an OEM producer for the major cellular phone brands manufactured in China and are currently exploring arrangements with existing and potential cellular phone customers to secure more subcontracting business.

In closing, we believe that we must continue to diversify our business and invest in new technologies in order to achieve financial prosperity. Fiscal 2009 will still be a transitional year since we will not be immune to the global market crisis, but we remain confident in our plans for the future.

We recognize that our transition has suffered some setbacks, but creating new businesses is a difficult and time-consuming process. Success comes with ample planning and proper execution, and we are fully committed to achieving our goals.

I would like to thank all my fellow shareholders for their continuing support.

JOHN C.K. SHAM
President and Chief Executive Officer

October 23, 2008

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GLOBAL-TECH APPLIANCES INC.
AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2008 AND 2007

AND FOR THE YEARS ENDED MARCH 31,
2008, 2007 AND 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Global-Tech Appliances Inc.

We have audited the accompanying consolidated balance sheets of Global-Tech Appliances Inc. and its subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global-Tech Appliances Inc. and its subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young
Hong Kong
September 26, 2008

GLOBAL-TECH APPLIANCES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2008 AND 2007

	Notes	2008 US$	2007 US$
ASSETS			
Current assets:			
Cash and cash equivalents	4	31,672,585	29,824,914
Time deposit	5	-	67,688
Available-for-sale investments	6	4,419	14,869,990
Accounts and bills receivable, net	7	22,073,653	9,535,635
Inventories	8	12,540,999	9,086,113
Prepaid expenses		212,482	174,422
Deposits and other assets		2,205,087	2,346,349
Legal claims receivable	22	5,614,897	5,395,377
Amount due from a related party	9	28,746	-
Amount due from a jointly-controlled entity	9	57,873	41,082
Total current assets		74,410,741	71,341,570
Interests in jointly-controlled entities	14	-	306,854
Property, plant and equipment, net	10	25,270,919	20,747,180
Land use rights, net	11	2,674,177	2,442,535
Convertible note	13	5,417,403	5,241,705
Deposits paid for purchase of property, plant and equipment		615,460	33,507
Interest receivable		336,000	168,000
Total assets		108,724,700	100,281,351
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		8,935,551	6,279,477
Loan payable	16	1,600,311	-
Customer advances		636,732	622,797
Accrued salaries, allowances and other employee benefits		2,811,473	2,068,564
Accrual for loss contingencies	22	6,010,044	5,638,328
Other accrued liabilities	15	5,372,596	2,789,061
Amount due to a related party	9	-	4,664
Income tax payable		5,048,663	3,378,753
Total current liabilities		30,415,370	20,781,644
Deferred tax liabilities	19	66,492	119,463
Total liabilities		30,481,862	20,901,107
Commitments and contingencies (notes 21 and 22, respectively)			
Shareholders' equity:			
Common stock, par value US$0.01 per share; 50,000,000 shares authorized; 12,908,255 and 12,902,755 shares issued and outstanding as of March 31, 2008 and 2007	17	129,083	129,028
Preferred stock, par value US$0.01 per share; 1,000,000 shares authorized; no shares issued		-	-
Additional paid-in capital		84,222,582	84,154,401
Accumulated deficit		(4,714,141)	(287,028)
Accumulated other comprehensive income (losses)		3,098,761	(122,710)
Less: Treasury stock, at cost, 679,147 shares as of March 31, 2008 and 2007		(4,493,447)	(4,493,447)
Total shareholders' equity		78,242,838	79,380,244
Total liabilities and shareholders' equity		108,724,700	100,281,351

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

GLOBAL-TECH APPLIANCES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE FISCAL YEARS ENDED MARCH 31, 2008, 2007 AND 2006

	Notes	2008 US$	2007 US$	2006 US$
Net sales		105,543,089	60,290,794	73,812,100
Cost of goods sold		(94,975,910)	(56,762,423)	(69,816,822)
Gross profit		10,567,179	3,528,371	3,995,278
Selling, general and administrative expenses		(12,802,546)	(12,454,368)	(18,010,869)
Other operating income (loss), net		(142,844)	608,244	2,379,964
Operating loss		(2,378,211)	(8,317,753)	(11,635,627)
Interest income, net		1,703,682	1,436,191	1,222,658
Other income (expenses), net	18	(1,809,344)	1,728,337	(846,015)
Gain on disposal of subsidiaries		-	3,951,520	-
Share of losses of jointly-controlled entities		(346,183)	(186,503)	-
Loss before income taxes		(2,830,056)	(1,388,208)	(11,258,984)
Benefit from (provision for) income taxes	19	(1,597,057)	144,397	22,998
Net loss before minority interests		(4,427,113)	(1,243,811)	(11,235,986)
Minority interests		-	77,110	12,592
Net loss		(4,427,113)	(1,166,701)	(11,223,394)
Basic and diluted loss per share of common stock	20	(0.36)	(0.10)	(0.92)
		Number	Number	Number
Basic and diluted weighted average number of shares of common stock	20	12,225,791	12,223,608	12,223,608
		US$	US$	US$
Rental expense paid to related parties (included in selling, general and administrative expenses)	9(a)	752,232	753,919	755,979
Rental income earned from related parties (included in other income (expenses), net)	9(b)	50,302	49,957	-
Management income earned from related parties (included in other income (expenses), net)	9(c)	99,582	111,992	-

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

GLOBAL-TECH APPLIANCES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE FISCAL YEARS ENDED MARCH 31, 2008, 2007 AND 2006

	Number of shares		Amounts					
	Common stock	Treasury stock	Common stock US$	Additional paid-in capital US$	Retained earnings (Accumulated deficit) US$	Treasury stock US$	Accumulated other comprehensive income (losses) US$	Total shareholders' equity US$
Balance as of March 31, 2005	12,902,755	(679,147)	129,028	83,264,716	12,103,067	(4,493,447)	(742,545)	90,260,819
Net loss for the year	-	-	-	-	(11,223,394)	-	-	(11,223,394)
Other comprehensive income (losses):								
• unrealized gain on available-for-sale investments, net of income tax of nil	-	-	-	-	-	-	199,290	199,290
• reclassification adjustment for gains, net of losses included in net loss for the year	-	-	-	-	-	-	(116,076)	(116,076)
• foreign currency translation adjustments	-	-	-	-	-	-	462,170	462,170
Total net comprehensive loss								(10,678,010)
Stock compensation expense provided on options granted	-	-	-	112,600	-	-	-	112,600
Stock compensation expense reversed on forfeited options	-	-	-	(346,492)	-	-	-	(346,492)
Balance as of March 31, 2006	12,902,755	(679,147)	129,028	83,030,824	879,673	(4,493,447)	(197,161)	79,348,917
Net loss for the year	-	-	-	-	(1,166,701)	-	-	(1,166,701)
Other comprehensive income (losses):								
• share of other comprehensive income of jointly-controlled entities	-	-	-	-	-	-	12,496	12,496
• unrealized gain on available-for-sale investments, net of income tax of nil	-	-	-	-	-	-	117,614	117,614
• foreign currency translation adjustments	-	-	-	-	-	-	(55,659)	(55,659)
Total net comprehensive loss								(1,092,250)
Stock compensation expense	-	-	-	1,123,577	-	-	-	1,123,577
Balance as of March 31, 2007	12,902,755	(679,147)	129,028	84,154,401	(287,028)	(4,493,447)	(122,710)	79,380,244
Net loss for the year	-	-	-	-	(4,427,113)	-	-	(4,427,113)
Other comprehensive income (losses):								
• share of other comprehensive income of jointly-controlled entities	-	-	-	-	-	-	39,329	39,329
• release of unrealized gain on available-for-sale investments, net of income tax of nil, upon disposal	-	-	-	-	-	-	(192,894)	(192,894)
• unrealized loss on available-for-sale investments, net of income tax of nil	-	-	-	-	-	-	(183)	(183)
• foreign currency translation adjustments	-	-	-	-	-	-	3,375,219	3,375,219
Total net comprehensive loss								(1,205,642)
Shares issued on exercise of options	2,500	-	25	9,725	-	-	-	9,750
Shares issued to an employee	3,000	-	30	1,969	-	-	-	1,999
Stock compensation expense	-	-	-	56,487	-	-	-	56,487
Balance as of March 31, 2008	12,908,255	(679,147)	129,083	84,222,582	(4,714,141)	(4,493,447)	3,098,761	78,242,838

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

GLOBAL-TECH APPLIANCES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED MARCH 31, 2008, 2007 AND 2006

	2008 US$	2007 US$	2006 US$
Cash flows from operating activities:			
Net loss	(4,427,113)	(1,166,701)	(11,223,394)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Minority interests in losses of subsidiaries	-	(77,110)	(12,592)
Amortization	63,056	59,116	404,028
Depreciation	3,037,662	3,413,658	4,345,648
Accretion of convertible note discount	(175,698)	(168,173)	-
Gain on disposal of subsidiaries	-	(3,951,520)	-
Share of losses of jointly-controlled entities	346,183	186,503	-
Loss on disposal of property, plant and equipment	17,386	97,997	8,477
Loss on disposal of a callable deposit	-	-	349,599
Provision for impairment of property, plant and equipment	-	17,174	783,802
Provision for impairment of license	-	-	1,861,640
Loss on disposal of available-for-sale investments, net	-	-	141,251
Allowance for doubtful accounts, net	81,889	3,173	-
Provision for (reversal of) stock compensation expense on options granted, net	56,487	1,123,577	(233,892)
Employee benefits on shares issued to an employee	1,969	-	-
Deferred tax expense (benefit)	(52,983)	80,967	(104,998)
Changes in operating assets and liabilities:			
Accounts and bills receivable, net	(11,766,542)	(872,029)	(1,251,608)
Prepaid expenses	(28,529)	84,594	349,025
Deposits and other assets	253,366	(605,015)	45,244
Legal claims receivable	(219,552)	(853,752)	(4,577,186)
Amount due from a related company	(28,746)	-	-
Amount due from a jointly-controlled entity	16,791	41,082	-
Inventories	(2,582,189)	1,646,669	3,275,746
Interest receivable on a convertible note	(168,000)	(168,000)	-
Accounts payable	2,341,377	1,079,664	(182,757)
Accrued salaries, allowances and other employee benefits	610,266	146,058	245,113
Other accrued liabilities	1,675,475	223,970	347,461
Accrual for loss contingencies	347,828	213,211	4,654,134
Amount due to a related party	(4,664)	4,664	-
Income tax payable	2,573,623	295,880	31,806
Exchange adjustments	388,188	862,735	-
Net cash provided by (used in) operating activities	(7,642,470)	1,718,392	(743,453)

continued/…

GLOBAL-TECH APPLIANCES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

FOR THE FISCAL YEARS ENDED MARCH 31, 2008, 2007 AND 2006

	2008 US$	2007 US$	2006 US$
Cash flows from investing activities:			
Decrease in a loan to a director	-	-	76,667
Proceeds from disposal of property, plant and equipment	772	70,331	45,112
Deposits paid for purchase of property, plant and equipment	(615,460)	(33,507)	-
Purchases of property, plant and equipment	(3,689,744)	(560,110)	(1,426,271)
Increase in land use rights	(47,273)	(205,300)	(1,811)
Decrease in restricted cash	-	-	430,974
Decrease (increase) in a time deposit	67,688	(67,688)	-
Decrease in a callable deposit	-	-	4,650,000
Proceeds from disposal of available-for-sale investments	14,672,506	37,973,452	78,265,013
Purchases of available-for-sale investments	-	(34,071,106)	(63,062,750)
Net cash provided by investing activities	10,388,489	3,106,072	18,976,934
Cash flows from financing activities:			
Capital contribution by minority shareholders	-	76,781	-
Repayment of short-term bank borrowings	-	(37,595)	-
Proceeds from stock options exercised	9,750	-	-
Net cash provided by financing activities	9,750	39,186	-
Effect of foreign exchange rate changes on cash	(908,098)	(2,352,482)	289,671
Net increase in cash and cash equivalents	1,847,671	2,511,168	18,523,152
Cash and cash equivalents at beginning of fiscal year	29,824,914	27,313,746	8,790,594
Cash and cash equivalents at end of fiscal year	31,672,585	29,824,914	27,313,746
Supplemental disclosure information:			
Cash paid for interest expense	24,158	317	55,435
Cash paid for tax expense	19,868	103,655	77,512
Supplemental schedule of non-cash activities:			
Disposal of subsidiaries in exchange for a convertible note	-	5,073,532	-
Non-cash acquisition of property, plant and equipment	1,600,311	-	-

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Global-Tech Appliances Inc. ("Global-Tech"), an investment holding company, which does not directly engage in other business operations, was incorporated in the British Virgin Islands on May 2, 1991. Global-Tech and its subsidiaries are hereinafter collectively referred to as the "Company". Through its various subsidiaries, the Company is a manufacturer of consumer electrical products, including, but not limited to, floor care products and small household appliances, and electronic and optical components. The Company's manufacturing operation is located in Dongguan, the People's Republic of China (the "PRC"). The Company's products are sold to customers primarily in the United States of America (the "U.S.A."), Europe and Mainland China.

The common stock of Global-Tech is listed on the New York Stock Exchange under the symbol "GAI".

2. SUBSIDIARIES

Details of Global-Tech's subsidiaries as of March 31, 2008 were as follows:

Name	Place of incorporation/ registration	Percentage of equity interest held	Principal activities
Global Appliances Holdings Limited	British Virgin Islands	100	Investment holding
Global Display Holdings Limited	British Virgin Islands	100	Investment holding
Kwong Lee Shun Trading Company Limited	Hong Kong	100	Provision of management services
Global Rich Innovation Limited	Hong Kong	100	Trading of raw materials and household appliance products
Wing Shing Overseas Limited	British Virgin Islands	100	Trading of raw materials and household appliance products
Pentalpha Macau Commercial Offshore Limited ("PMA")*	Macau	100	Dormant

*PMA was liquidated subsequent to the balance sheet date, on July 2, 2008.

2. SUBSIDIARIES (continued)

Details of Global-Tech's subsidiaries as of March 31, 2008 were as follows: (continued)

Name	Place of incorporation/ registration	Percentage of equity interest held	Principal activities
GT Investments (BVI) Limited	British Virgin Islands	100	Investment holding
Consortium Investment (BVI) Limited ("CIBL")	British Virgin Islands	100	Asset and investment holding
Global Optics Limited	Hong Kong	100	Trading of raw materials and electronic and optical components
Dongguan Wing Shing Electrical Products Factory Company Limited ("DWS")	PRC	100	Manufacturing of household appliance products
Dongguan Lite Array Company Limited ("DGLAD")	PRC	100	Manufacturing of electronic and optical components
Global Auto Limited	Hong Kong	70	Trading of car audio products
Global Household Products Limited	Hong Kong	100	Trading of raw materials and household appliance products
Winway Technology Development Limited	Hong Kong	83.33	Dormant
Pentalpha Medical Limited (formerly known as Pentalpha Enterprises Limited)	Hong Kong	100	Dormant
Pentalpha Hong Kong Limited ("Pentalpha")	Hong Kong	100	Dormant

2. SUBSIDIARIES (continued)

Details of Global-Tech's subsidiaries as of March 31, 2008 were as follows: (continued)

Name	Place of incorporation/ registration	Percentage of equity interest held	Principal activities
Global-Tech USA, Inc.	State of Delaware, U.S.A.	100	Provision of investment-related services
Global Digital Imaging Limited	British Virgin Islands	100	Trading of raw materials and digital products
MasterWerke Limited	State of Delaware, U.S.A.	100	Investment holding
Wing Shing Products (BVI) Company Limited	British Virgin Islands	100	Dormant
Global Lite Array (BVI) Limited	British Virgin Islands	76.75	Investment holding
Lite Array OLED (BVI) Company Limited	British Virgin Islands	76.75	Dormant
Lite Array, Inc.	State of Delaware, U.S.A.	76.75	Dormant

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

(b) Basis of consolidation

The consolidated financial statements include the financial statements of Global-Tech and its subsidiaries. The fiscal year end date of Lite Array Holdings Limited ("Lite Array Holdings") and its subsidiaries is December 31. There have been no significant transactions in Lite Array Holdings and its subsidiaries, which would materially affect the Company's financial position and results of operations during the period from Lite Array Holdings' fiscal year end date to March 31, 2008.

All significant intercompany balances and transactions between group companies have been eliminated on consolidation.

(c) Use of estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates with regard to these consolidated financial statements include, but are not limited to, useful lives of property, plant and equipment, provision for impairment losses, provision for inventory obsolescence, allowance for doubtful accounts, provision for employee benefits, provision for warranty, benefit from (provision for) uncertain income tax positions, valuation allowance for deferred tax assets, assumptions used for the valuation of options to purchase Global-Tech's common stock, provision for loss contingencies and measurement of fair values of financial instruments. Actual results could differ materially from those estimates.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits, which are unrestricted to withdraw and use, and other investments that are readily convertible into cash and have original maturity of three months or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investments

Debt and equity investments in available-for-sale investments are stated at fair value. Unrealized holding gains or losses, net of tax, on available-for-sale investments are reported in accumulated other comprehensive income (losses), a separate component of shareholders' equity. Realized gains and losses and any declines in fair value judged to be other-than-temporary on available-for-sale investments are included in gain (loss) on disposal and impairment, respectively, in the consolidated statements of operations. Gains or losses on sale of investments and amounts reclassified from accumulated other comprehensive income (losses) to earnings are computed based upon specific identification. Interest or dividend income on securities classified as available-for-sale investments is included in interest income or dividend income, respectively.

Non-derivative securities with fixed or determinable payments and fixed maturity are classified as held-to-maturity securities if the Company has both the positive intention and ability to hold the financial assets to maturity. Investments intended to be held to maturity are measured at amortized cost. Interest on securities classified as held-to-maturity securities is included in interest income.

When determining whether an impairment of investments exists or a decline in value of an available-for-sale investment is other-than-temporary, the Company evaluates evidence to support a realizable value in excess of the current market price for the investment. Such information may include the investment's financial performance (including such factors as earnings trends, dividend payments, asset quality and specific events), the near term prospects of the investment, the current and expected financial conditions of the investment's issuer, and the Company's investment intent. A sustained decline in the market value of a quoted security for six months is generally indicative of an other-than-temporary impairment.

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. The Company's investment in a jointly-controlled entity for which it, not being the major owner of the entity, but has the ability to exercise joint control, is accounted for using the equity method. Under the equity method, the Company's proportionate share of the jointly-controlled entities’ net income or loss and amortization of any identifiable intangibles arising from the investment is included in "Share of income (losses) of jointly-controlled entities".

All other investments for which the Company does not have the ability to exercise joint control or significant influence (generally, when the Company has an investment of less than 20% ownership and no representation on the investee’s board of directors) and for which there is not a readily determinable fair value, are accounted for using the cost method. Dividends and other distributions of earnings from investees, if any, are included in income when declared. The Company periodically evaluates the carrying value of its investments accounted for under the cost method of accounting and any impairment is included in the consolidated statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Inventories

Inventories are stated at the lower of cost or market value. Cost, calculated on the weighted average basis, comprises direct materials and, where applicable, direct labor and an appropriate proportion of production overhead costs.

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after an item of property, plant and equipment has been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of operations in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset. Depreciation is calculated on the straight-line basis at annual rates over the asset's estimated useful life.

The principal annual rates used for this purpose are as follows:

	Annual rate
Leasehold improvements	Over the shorter of the lease terms or the estimated useful life
Buildings	4.5%
Plant	4.5%
Machinery	10%
Molds	20% - 33%
Transportation equipment	15% - 20%
Furniture, fixtures and equipment	15%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of an item of property, plant and equipment, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the consolidated statements of operations in the period the item is derecognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Construction in progress

Construction in progress represents property, plant and equipment under construction or installation and is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction, installation and other costs in making the asset ready for its intended use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(i) Impairment of long-lived assets

The Company evaluates long-lived assets, such as property, plant and equipment or asset group, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will have impact no the future use of the assets) indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". When these events occur, the Company evaluates the impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Company would recognize an impairment loss based on the excess of the carrying amount of the assets over its fair value.

(j) Revenue recognition

The Company recognizes revenues in accordance with the Securities and Exchange Commission (the "SEC") Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition", which requires that four basic criteria must be met before revenue can be recognized: (1) there is persuasive evidence that an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectibility is reasonably assured. Net sales represent the gross invoiced amount, net of discounts, and are recognized when goods are shipped and title has passed.

Under the Company's standard terms and conditions, which are mainly Free On Board shipping point, title and risk of loss are transferred to the customer at the time the product is delivered to the customer's freight forwarder.

Deposits or advance payments from customers prior to delivery and passage of title of merchandise are recorded as customer advances.

In accordance with the relevant tax laws in the PRC, VAT is levied on the invoiced value of sales of goods and is payable by the purchaser. Revenue is recognized net of all value-added tax imposed by governmental authorities and collected from customers concurrent with revenue-producing transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Advertising costs

Advertising costs represent costs relating to promotional activities intended to stimulate, directly or indirectly, a customer's purchase of goods, and are charged to the consolidated statement of operations as incurred and are included in "Selling, general and administrative expenses" ("SG&A"). Advertising expenses were US$22,572, US$11,469 and US$58,693 for the fiscal years ended March 31, 2008, 2007 and 2006, respectively.

(l) Design and development costs

Design and development costs primarily relate to the cost of samples and prototypes and salaries of our engineers.

The Company expenses all design and development costs when incurred. Included in SG&A expenses line item in the consolidated statement of operations were design and development costs of US$1,075,556, US$1,125,817 and US$1,708,872 for the fiscal years ended March 31, 2008, 2007 and 2006, respectively.

(m) Shipping and handling costs

In accordance with Emerging Issues Task force Issue ("EITF") 00-10 "Accounting for Shipping and Handling Fees and Costs", shipping and handling fees billed to customers are classified in net sales in the consolidated statement of operations. Any shipping and handling costs incurred by the Company associated with the sale of products are included in SG&A on the consolidated statement of operations. During the fiscal years ended March 31, 2008, 2007 and 2006, shipping and handling costs charged to SG&A were US$1,159,569, US$855,644 and US$1,213,390, respectively.

Any inbound freight charges, receiving, inspection, warehousing and internal transfer costs incurred by the Company are expensed as cost of goods sold. During the fiscal years ended March 31, 2008, 2007 and 2006, inbound freight costs charged to cost of goods sold were US$340,938, US$337,341 and US$597,384, respectively. Other related costs are included in manufacturing overheads.

(n) Foreign currencies

The functional currency of Global-Tech is the U.S. dollar. Each subsidiary within the Company determines its own functional currency in accordance with SFAS No. 52 "Foreign Currency Translation". Transactions denominated in foreign currencies are translated using the exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect at the balance sheet date with any foreign exchange gains or losses recorded in the consolidated statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Foreign currencies (continued)

On consolidation, the financial statements of the subsidiaries are translated into the reporting currency of the Company, the U.S. dollar, in accordance with SFAS No. 52, "Foreign Currency Translation", at rates of exchange in effect at the balance sheet date for assets and liabilities, and at the average rates of exchange during the year for income and expense items. Translation differences arising therefrom are credited or charged to the accumulated other comprehensive income (losses) account.

(o) Income taxes

The Company accounts for income tax using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income in the period that includes the enactment date.

Effective from April 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109" ("FIN48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The interpretation prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxation authorities. The amount recognized is measured as the largest amount of benefit that is more likely than not of being realized upon ultimate settlement. The Company’s adoption of FIN 48 did not result in any adjustment to the opening balance of the Company’s accumulated deficit as of April 1, 2007.

The Company recorded its possible interest and penalties due to any underpayment of income taxes, if and when required, in interest expense and other expenses, respectively.

(p) Stock compensation expenses

Effective from April 1, 2006, the Company applied the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)") and related interpretations in accounting for its employee stock options plans. Accordingly, stock compensation cost is measured at the date of grant, based on fair value which is estimated using the Black-Scholes option pricing model. The compensation cost for share-based awards with service conditions is amortized over the vesting period of the awards using the straight-line method provided that the amount of compensation cost recognized at any date must at least equal the portion of the grant date value of the award that is vested at that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Stock compensation expenses (continued)

The Company accounts for stock options granted to a counterparty other than an employee in accordance with Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services". Fair value of the equity instruments is recognized on the measurement date which is the earlier of (i) a commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the counterparty's performance is completed.

As permitted by SFAS No. 123(R), the Company has elected to apply the "modified prospective" transition method, in which compensation cost is recognized beginning with the effective date based on the requirements of SFAS No. 123(R) (i) for all share-based payments granted after the effective date and (ii) for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remained unvested on the effective date.

Prior to the adoption of SFAS No. 123(R), the Company applied the intrinsic-value-based method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations in accounting for employee stock options. The Company has determined pro forma net loss and loss per share information as if the fair value method described in SFAS No.123(R) had been applied to its employee stock-based compensation prior to the adoption of SFAS No.123(R). The pro forma effects on net loss and loss per share for the fiscal year ended March 31, 2006 are as follows:

	Year ended March 31, 2006 US$
Net loss, as reported	(11,223,394)
Deduct: Reversal of stock compensation expense included in net loss under APB Opinion No. 25	(233,892)
Deduct: Total stock compensation expense determined under the fair value method for all awards, net of income tax of nil	(574,837)
Pro forma net loss	(12,032,123)
Loss per share:	
Basic – as reported	(0.92)
Basic – pro forma	(0.98)
Diluted – as reported	(0.92)
Diluted – pro forma	(0.98)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Retirement costs

Retirement cost contributions relating to defined contribution plans are made based on a percentage of the employees' salaries and are included in the consolidated statement of operations as they become payable.

(r) Operating leases

Leases where substantially all the rewards and risks of ownership remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the consolidated statement of operations on a straight-line basis over the period of the relevant leases.

Assets leased out under operating leases are included in "Property, plant and equipment" in the consolidated balance sheet. They are depreciated over the expected useful lives on a basis consistent with similar owned items of property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease terms.

(s) Earnings (loss) per share

Earnings (loss) per share is computed in accordance with SFAS No. 128, "Earnings Per Share". Under the provision of SFAS No. 128, basic earnings or loss per share of common stock is computed by dividing the net income or loss available to common shareholders for the year by the weighted average number of shares of common stock outstanding during the year. Diluted earnings or loss per share of common stock reflects the potential dilution that could occur if securities or other contracts/arrangements to issue shares of common stock were exercised or converted into shares of common stock. Common equivalent shares, comprised of incremental shares of common stock issuable upon the exercise of stock options, are included in diluted earnings or loss per share if they have a dilutive effect by application of the treasury stock method.

(t) Accounts and bills receivable and allowance for doubtful accounts

Accounts and bills receivable are carried at their original invoiced value less an estimate made for uncollectible amounts. The Company does not charge interest on accounts receivable. The Company reviews the aged analysis of accounts and bills receivable on a regular basis. Allowance for doubtful accounts is made for those amounts overdue for more than one year from the contractual terms or to the extent that collection is considered to be doubtful. Whenever it is clear that the amounts are deemed to be uncollectible, receivables are written off against the allowance for doubtful accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Treasury stock

The Company accounts for the acquired shares of its own capital stock ("treasury stock") in accordance with Accounting Research Bulletin ("ARB") No. 43, Chapter 1B and APB Opinion No. 6. The cost of the acquired treasury stock is shown as a deduction from shareholders' equity. Gains on sale of treasury stock not previously accounted for as constructively reissued are credited to additional paid-in capital while losses are charged to additional paid-in capital to the extent that previous net gains from the sale or retirement of the same class of stock are included therein, otherwise the loss should be charged to retained earnings/accumulated deficit.

(v) Comprehensive income (losses)

The Company applies SFAS No. 130, "Reporting Comprehensive Income" which establishes guidance for the reporting and display of comprehensive income (loss) and its components. Comprehensive income (loss) is defined as the change in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to the shareholders. Total net comprehensive income (loss) includes net income or loss for the year as well as additional other comprehensive income (loss). The Company's other comprehensive income (loss) consists of the Company's share of other comprehensive income of jointly-controlled entities, unrealized gains and losses on available-for-sale investments and foreign currency translation adjustments, all recorded net of tax.

(w) Loss contingencies

The Company makes provision related to loss contingencies when a loss is probable and the amount is reasonably estimable. Although management believes, after consultation with the Company's general counsel, that adequate reserves have been provided for all known loss contingencies, the ultimate result will depend on the resolution of the uncertainties. Therefore, actual results may differ from such estimates and the difference may be material.

(x) Segment reporting

The Company follows SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" for its segment reporting.

The Company operates and manages its business in three segments. The accounting policies used in its segment reporting are the same as those used in the preparation of its consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Warranty cost

The Company estimates its warranty provision for defective products based on various factors including the likelihood of defects, an evaluation of its quality controls, technical analysis, industry information on comparable companies and its own experience. Based on the above consideration, the Company has accrued for warranty costs of US$235,315 for the year ended March 31, 2008 (2007: nil and 2006: nil). The basis and the amount of the warranty accrual will be reviewed and adjusted periodically based on actual experience.

(z) Impact of recently issued accounting standards

(i) In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement". This statement applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. SFAS No. 157 establishes a framework for measuring fair value under U.S. GAAP, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. Under this statement, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. This statement clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and lowest priority to unobservable data, for example, the reporting entity's own data. Under this statement, fair value measurements would be separately disclosed by level within the fair value hierarchy. This statement will become effective for financial statements issued for fiscal years beginning after November 15, 2007. The provisions are to be applied prospectively as of the beginning of the fiscal year in which SFAS No. 157 is initially applied. The Company is currently evaluating the potential impact of this statement, if any, on its consolidated financial statements.

(ii) In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value.

This statement is effective as of the beginning of the fiscal year that begins after November 15, 2007. The Company is currently evaluating the potential impact of this statement, if any, on its consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Impact of recently issued accounting standards (continued)

(iii) In April 2007, the FASB issued FSP No. FIN 39-1, "Amendment of FASB Interpretation No. 39", ("FSP FIN 39-1"). FSP No. FIN 39-1 amends certain provisions of FIN 39, "Offsetting of Amounts Related to Certain Contracts" and permits companies to offset fair value amounts recognized for cash collateral receivables or payables against fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting arrangement. FSP No. FIN 39-1 is effective for fiscal years beginning after November 15, 2007, with early application permitted. The guidance in this FSP is consistent with the Company's current accounting practice. The Company is evaluating the impact, if any, of the adoption of FSP No. FIN 39-1, if any, of the adoption of FSP No. FIN 39-1.

(iv) In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). The objective of SFAS No. 141(R) is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS No. 141(R) is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The Company is evaluating the impact, if any, of the adoption of SFAS No. 141(R).

(v) In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51". SFAS No. 160 requires that a noncontrolling interest in a consolidated subsidiary be displayed in the consolidated statement of financial position as a separate component of equity. Under SFAS No. 160, gains or losses should not be recognized on sales of noncontrolling interests in subsidiaries. Differences between sales proceeds and the consolidated basis of outstanding noncontrolling interests should be accounted for as charges or credits to consolidated paid-in-capital. SFAS No. 160 carries forward the provisions of Accounting Research Bulletin No. 51, Consolidated Financial Statements, related to consolidation purpose and policy, and certain consolidation procedure topics. SFAS No. 160 is effective for the first annual reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact, if any, of this new standard on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	March 31, 2008 US$	March 31, 2007 US$
Cash on hand and at banks	19,218,474	18,798,437
Money market funds	12,454,111	11,026,477
Total cash and cash equivalents	31,672,585	29,824,914

5. TIME DEPOSIT

As of March 31, 2007, a time deposit of RMB522,923 (equivalent to US$67,688) was held in a banking institution with an original maturity greater than three months when acquired. The time deposit matured during the year ended March 31, 2008.

6. AVAILABLE-FOR-SALE INVESTMENTS

The following is a summary of available-for-sale debt and equity securities, which are all non-restricted, as of March 31, 2008 and 2007:

	Costs		Net unrealized gains		Fair values	
	US$ 2008	US$ 2007	US$ 2008	US$ 2007	US$ 2008	US$ 2007
U.S. dollar treasury bills	-	14,672,506	-	192,894	-	14,865,400
Listed equity securities	3,130	3,118	1,289	1,472	4,419	4,590
	3,130	14,675,624	1,289	194,366	4,419	14,869,990

The U.S. dollar treasury bills as of March 31, 2007 were held with contractual maturities of less than six months. As at March 31, 2008 and 2007, none of the available-for-sale investments was in an unrealized loss position. During fiscal year 2008, no gain or loss was recognized (2007: nil) on the disposal of the debt securities.

The fair values of listed equity securities are based on quoted market prices at the balance sheet date.

The net unrealized gains consisted of gross unrealized gains of US$1,289 for fiscal year 2008 (2007: US$194,366) and gross unrealized losses of nil for fiscal year 2008 (2007: nil).

The proceeds from the disposal of available-for-sale investments for the fiscal years ended March 31, 2008, 2007 and 2006 were US$14,672,506, US$37,973,452 and US$78,265,013, respectively.

The gross realized losses from the sale of available-for-sale investments for the fiscal years ended March 31, 2008, 2007 and 2006 are as follows:

	2008 US$	2007 US$	2006 US$
Gross realized losses	-	-	141,251

7. ACCOUNTS AND BILLS RECEIVABLE, NET

	March 31, 2008 US$	March 31, 2007 US$
Accounts receivable	11,989,577	9,146,327
Less: Allowance for doubtful accounts	(65,308)	(12,171)
Accounts receivable, net	11,924,269	9,134,156
Bills receivable	10,149,384	401,479
Accounts and bills receivable, net	22,073,653	9,535,635

	2008 US$	2007 US$	2006 US$
Allowance for doubtful accounts:			
Balance at beginning of fiscal year	12,171	48,715	49,870
Additions	81,889	3,173	-
Amount written-off as uncollectible during the fiscal year	(28,686)	(39,618)	(1,262)
Exchange realignment	(66)	(99)	107
Balance at end of fiscal year	65,308	12,171	48,715

8. INVENTORIES

	March 31, 2008 US$	March 31, 2007 US$
Raw materials	7,158,303	4,517,976
Work in progress	2,840,708	2,134,630
Finished goods	2,541,988	2,433,507
	12,540,999	9,086,113

During the fiscal years ended March 31, 2008 and 2007, provisions for write-down of inventories of US$1,253,352 and nil, respectively, were recognized in the consolidated statement of operations.

9. RELATED PARTY TRANSACTIONS

A related party is any party that controls, jointly-controls or can significantly influence the management or operating policies of the Company to the extent that the Company may be prevented from fully pursuing its own interests. Such parties would also include affiliates, investments accounted for by the equity method, principal shareholders, management, directors and the immediate family members of principal shareholders, management or directors.

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements for the fiscal years ended March 31, 2008, 2007 and 2006, the Company had the following material transactions with related parties during those years:

(a) The Company incurred annual real estate rental expenses for the fiscal years ended March 31, 2008, 2007 and 2006 of approximately US$752,232, US$753,919 and US$755,979, respectively, payable to certain related companies of which certain of their directors are also the directors of the Company. Included in the aforesaid annual real estate rental expenses were amounts of US$476,933, US$478,082 and US$479,388 paid to two directors of the Company during the fiscal years ended March 31, 2008, 2007 and 2006, respectively, which were included in their remuneration for the respective fiscal years as housing allowances.

(b) Rental income of US$50,302, US$49,957 and nil was earned for the fiscal years ended March 31, 2008, 2007 and 2006, respectively, from a jointly-controlled entity. The rentals were charged on mutually agreed terms.

(c) Management fee income of US$99,582, US$111,992 and nil was earned for the fiscal years ended March 31, 2008, 2007 and 2006, respectively, from a jointly-controlled entity, which was charged with reference to the actual costs incurred.

The amount due from a jointly-controlled entity, the amount due to a related party, which is a minority shareholder of a subsidiary of the Company, and the amount due from a related party, of which two of the directors of Global-Tech are shareholders, are unsecured, interest-free and are repayable on demand.

10. PROPERTY, PLANT AND EQUIPMENT, NET

	March 31, 2008 US$	March 31, 2007 US$
Leasehold improvements and buildings	24,983,527	22,682,670
Plant and machinery	27,978,994	21,664,697
Molds	10,299,740	9,164,021
Transportation equipment	1,540,623	1,369,224
Furniture, fixtures and equipment	5,709,600	4,148,531
Construction in progress	-	48,631
	70,512,484	59,077,774
Less: Accumulated depreciation	(45,241,565)	(38,330,594)
Property, plant and equipment, net	25,270,919	20,747,180

(a) During the fiscal years ended March 31, 2008, 2007 and 2006, impairment losses relating to property, plant and equipment of nil, US$17,174 and US$783,802, respectively, were recognized in the consolidated statement of operations for certain molds, plant and machinery, and furniture, fixtures and equipment since the carrying values of these assets exceeded their fair values by the same amount. The determination of their fair values was based on an independent valuation. The impairment losses recognized during the fiscal years ended March 31, 2007 and 2006 were included in "Cost of goods sold" and "SG&A" on the face of the consolidated statement of operations in the amounts of nil and US$532,217, respectively, and US$17,174 and US$251,585, respectively.

(b) As of March 31, 2008 and 2007, buildings with an aggregate net book values of approximately US$104,002 and US$106,304, respectively, were situated in Hong Kong and manufacturing facilities with aggregate net book values of approximately US$14,020,515 and US$13,725,432, respectively, were situated in Mainland China. The land where the manufacturing facilities were situated is held under certain land use rights that will expire in 2043. Up to March 31, 2008, the Company has obtained a sizable portion of the property ownership certificates for its buildings (14 properties out of a total of 34). The application for the remaining property ownership certificates will commence only after the land use right certificates for the relevant pieces of land have been obtained.

(c) The amounts of depreciation charged for the fiscal years ended March 31, 2008, 2007 and 2006 were US$3,037,662, US$3,413,658 and US$4,345,648, respectively.

(d) The loss on disposal of items of property, plant and equipment recognized during the fiscal years ended March 31, 2008, 2007 and 2006 amounted to US$17,386, US$97,997 and US$8,477, respectively.

(e) The amounts of assets held under operating leases as of March 31, 2008 and 2007 were US$2,822,699 and nil, respectively.

11. LAND USE RIGHTS, NET

Land use rights represent prepayments under operating leases for land use, for a predetermined time period. They are charged to the consolidated statement of operations over the lease periods on a straight-line basis. The Company has the rights to use certain pieces of land located in Mainland China and has obtained or is in the process of obtaining the land use rights certificates covering a substantial portion of such lands. On August 26, 2006, the Company entered into a supplementary agreement with the Dongguan local government regarding the use of a piece of land with a total area of 45,208 square meters which the Company had occupied. Pursuant to the supplementary agreement, the Company has moved out from a portion of this land (13,698 square meters in aggregate), which was previously used as a recreational area, and has arranged to use the remaining portion of the land (31,510 square meters) until August 6, 2043. However, the Company has to pay monthly fees of RMB59,248 (approximately US$8,443) to the local government for the period from January 1, 2008 to December 31, 2008 and RMB193,048 (approximately US$27,531) for January 1, 2009 onwards till August 6, 2043 as further detailed in note 21(b) to the financial statements. Up to March 31, 2008, the Company has obtained a substantial portion of its land use rights certificate covering 131,400 square meters out of a total area of 207,300 square meters. The application of certain property ownership certificates as further detailed in note 10 to the financial statements will commence only after the land use rights certificates for the relevant pieces of land have been obtained. The Company is in the process of obtaining the remaining land use rights and property ownership certificates and expects to obtain those certificates in the near future.

12. DISPOSAL OF SUBSIDIARIES

On March 17, 2006, Consortium Investment (BVI) Limited ("CIBL"), a wholly-owned subsidiary of the Company, entered into a Share Sale and Purchase Agreement with Anwell Technologies Limited ("Anwell"), a publicly listed company in Singapore, to form a joint venture company to exploit the opportunity in the manufacturing and sale of organic light emitting diode ("OLED") equipment. Pursuant to the Share Sale and Purchase Agreement, CIBL agreed to sell 5,600,000 ordinary shares of US$1 each in the capital of Lite Array Holdings, the then wholly-owned subsidiary of CIBL, to Anwell, representing a 70% equity interest in Lite Array Holdings, in exchange for a convertible note (the "Convertible Note") issued by Anwell to CIBL with a face value of US$5,600,000 on April 3, 2006 as further detailed in note 13 to the financial statements. Lite Array Holdings and its subsidiaries are primary engaged in developing OLED process technology and equipment. The disposal was completed on April 3, 2006 and the gain on disposal of Lite Array Holdings and its subsidiaries was computed by taking the difference between the fair value of the consideration received and an amount equal to 70% of the net assets disposed of. The Company still retains a 30% interest in Lite Array Holdings and its subsidiaries after the disposal and they have been accounted for as jointly-controlled entities of the Company thereafter as further detailed in note 14 to the financial statements.

Details of the net assets disposed of are as follows:

	US$
Cash and cash equivalents	2,334
Prepayments and other assets	6,747
Machineries and equipment	1,613,232
Amounts due to group companies	(19,439)
	1,602,874
70% of the net assets disposed of	1,122,012
Gain on disposal of subsidiaries	3,951,520
	5,073,532
Satisfied by:	
Convertible Note	5,073,532

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of the above subsidiaries for the fiscal year ended March 31, 2007 is as follows:

	Year ended March 31, 2007 US$
Cash and cash equivalents disposed of and net cash outflow in respect of the disposal of subsidiaries	(2,334)

13. CONVERTIBLE NOTE

	Amortized cost	
	March 31, 2008	March 31, 2007
	US$	US$
Convertible Note	5,417,403	5,241,705

The Convertible Note was issued by Anwell in exchange for a 70% equity interest in Lite Array Holdings as further detailed in note 12 to the financial statements. The face value of the Convertible Note is US$5,600,000. The Convertible Note carries interest at a rate of 3% per annum, which is payable in full on April 3, 2009 (the "Payment Date"). In the event that during the six months prior to the Payment Date the shares of Anwell, traded on The Singapore Exchange Securities Trading Limited, are at all times not less than Singapore Dollar $0.38 per share, the Convertible Note and all accrued and unpaid interest thereon will automatically be converted, at a price of Singapore Dollar $0.38 per share, into duly authorized, validly issued, fully paid and unencumbered ordinary shares of Anwell on the Payment Date. The Company intends to hold the Convertible Note until maturity.

The amounts of interest receivable from Anwell in respect of the Convertible Note as of March 31, 2008 and 2007 were US$336,000 and US$168,000, respectively.

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

During the fiscal year ended March 31, 2007, CIBL effectively disposed of 70% of its equity interest in Lite Array Holdings to Anwell as part of an arrangement to set up a joint venture to exploit the opportunity to produce OLED equipment in Mainland China as further detailed in note 12 to the financial statements. Subsequent to the completion of the disposal, the Company still retains 2,400,000 ordinary shares of Lite Array Holdings, representing a 30% equity interest in Lite Array Holdings through CIBL. The Company accounts for its interest in Lite Array Holdings and its subsidiaries, in which the Company does not have unilateral control, but joint control, under the equity method.

Particulars of the jointly-controlled entities as of March 31, 2008 are as follows:

Name	Place of incorporation/ registration	Percentage of direct equity interest held	Principal activities
Lite Array Holdings Limited	British Virgin Islands	30	Investment holding
Dongguan Litewell (OLED) Technology Limited*	PRC	nil	Research and development of OLED equipment
Litewell Technology (HK) Limited*	Hong Kong	nil	Provision of management services to Lite Array Holdings group

** Wholly-owned subsidiaries of Lite Array Holdings*

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Summary financial information for the jointly-controlled entity (30 percent owned) accounted for by the equity method is as follows:

As of or for the years ended December 31

	2007 US$	2006 US$
Current assets	211,397	111,482
Non-current assets	1,406,158	1,508,989
Current liabilities	(1,611,845)	(592,981)
Revenue	-	-
Operating expenses	(1,148,806)	(624,384)
Net income (loss)	(1,148,241)	(615,656)

15. WARRANTY PROVISION

The Company's warranty activity is summarized below:

	2008 US$	2007 US$
Balance at beginning of fiscal year	-	-
Warranty provision	235,315	-
Balance at end of fiscal year	235,315	-

16. LOAN PAYABLE AND BANKING FACILITIES

The Company's loan payable as at March 31, 2008 represented short term import loans from a bank under its banking facilities as further detailed below, which were subject to interest at a rate of appropriately 4% per annum.

Global-Tech has provided a bank with: (i) an unlimited corporate guarantee for general banking facilities granted to certain subsidiaries of the Company; and (ii) an undertaking not to pledge, mortgage or charge any of the assets of the Company in Hong Kong or Mainland China for general banking facilities granted to a subsidiary of the Company.

As of March 31, 2008 and 2007, the Company had banking facilities denominated in Hong Kong dollars of approximately HK$35,000,000 (equivalent to US$4,497,212) and HK$35,000,000 (equivalent to US$4,478,911), respectively. As of March 31, 2008 and 2007, such banking facilities were utilized to the extent of US$1,600,311 and US$18,002, respectively, relating to certain import loans or certain letters of credit, and the amount of unutilized banking facilities denominated in Hong Kong dollars amounted to US$2,896,901 and US$4,460,909, respectively. The utilized banking facilities were subject to interest at a rate of approximately 4% per annum. The utilized banking facilities as of March 31, 2008 were subsequently settled in early April 2008.

17. SHARE CAPITAL

Holders of common stock of Global-Tech have one vote for each share held on all matters submitted to vote at a shareholders' meeting of Global-Tech. Subject to the rights of the holders of stock with preferential or other special rights which may be authorized in the future, holders of common stock of Global-Tech are entitled to receive dividends *pro rata* out of assets legally available therefore and, in the event of the winding up of Global-Tech, to share ratably in all assets remaining after payment of liabilities of Global-Tech. The Board of Directors of Global-Tech may declare interim dividends and recommend a final annual dividend from retained earnings available for cash dividends as determined for statutory purposes at such times and in such amounts as they may determine. Dividends may only be declared and paid out of surplus.

18. OTHER INCOME (EXPENSES), NET

	2008 US$	2007 US$	2006 US$
Foreign exchange gains (losses), net	(1,239,501)	1,588,565	(370,485)
Loss on disposal of a callable deposit	-	-	(349,599)
Loss on disposal of available-for-sale investments, net	-	-	(141,251)
Loss on disposal of floating rate bank notes	-	-	(61,229)
Loss on disposal of property, plant and equipment	(17,386)	(97,997)	(8,477)
Rental income from a related party	50,302	49,957	-
Rental income from third parties	153,832	-	-
Management fee received from a related party	99,582	111,992	-
Management fee received from a third party	79,116	-	-
Penalties	(1,042,482)	-	-
Others, net	107,193	75,820	85,026
	(1,809,344)	1,728,337	(846,015)

19. INCOME TAXES

Global-Tech and its subsidiaries are subject to income taxes on an entity basis on the taxable income arising in or derived from the respective tax jurisdictions in which they are domiciled or deemed to operate. Global-Tech and its investment holding companies incorporated in the British Virgin Islands ("BVI") are not subject to tax in the BVI in accordance with the BVI tax regulations. The Company conducts substantially all of its businesses and operations through its subsidiaries located in Hong Kong, Macau and Mainland China. The subsidiary located in Macau was liquidated subsequent to the balance sheet date.

The Company's operating subsidiaries are subject to various statutory tax rates, according to the respective jurisdictions in which they operate. The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at a rate of 17.5% on their assessable income arising in Hong Kong for the fiscal years ended March 31, 2008, 2007 and 2006. The Company's former subsidiary in Macau was exempted from Macau Complementary Tax.

The Company's subsidiaries registered in the PRC, including DWS and DGLAD, are subject to PRC corporate income tax ("CIT") on income as reported in their PRC statutory accounts, adjusted in accordance with relevant PRC income tax laws and regulations. DWS and DGLAD are located in coastal open economic zones in Mainland China and, accordingly, are entitled to a preferential tax rate of 27% (24% reduced tax rate and 3% local income tax rate) for their CIT for calendar years ended December 31, 2007 and before. During the 5th Session of the 10th National People's Congress of the PRC, which was concluded on March 16, 2007, a new PRC Corporate Income Tax Law (the "New CIT Law") was approved and became effective on January 1, 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. DGLAD is entitled to a tax concession period ("Tax Holiday") whereby it is exempt from EIT for its first two profit-making years and is entitled to a 50% tax reduction for the succeeding three years. DGLAD started its first profit-making year under Tax Holiday for its calendar year ended December 31, 2007.

During fiscal year March 31, 2007, with reference to a circular issued by the State of Administration of Taxation of the PRC on February 28, 2007 and other information available, that clarified prior uncertainties relating to certain income and expense allocations between the Company's subsidiaries, the Company reassessed its tax position and revised its accounting estimate for potential income tax exposure related to its Mainland China subsidiaries. The change in accounting estimate resulted in an accrual of tax liabilities of approximately US$660,405, which was included in the current income tax expense (benefit) for the fiscal year ended March 31, 2007.

	2008 US$	2007 US$	2006 US$
Income tax expense (benefit):			
Current	1,650,040	(225,364)	82,000
Deferred	(52,983)	80,967	(104,998)
Total income tax expense (benefit)	1,597,057	(144,397)	(22,998)

19. INCOME TAXES (continued)

The reconciliation of income tax benefit computed at the Hong Kong statutory income tax rate to loss before income taxes as stated in the consolidated statement of operations of the Company at the effective income tax rate is as follows:

	2008 US$	2007 US$	2006 US$
Income tax benefit at the Hong Kong statutory income tax rate	(495,184)	(242,936)	(1,970,322)
Foreign rate differential and non-taxable income (loss) arising from offshore activities	298,583	(748,380)	2,273,834
Non-taxable interest income	(1,025)	(618)	(371,546)
Non-taxable other income	(166,301)	(198,494)	(2,889,248)
Non-tax deductible expenses	877,883	1,032,021	1,261,006
Over/under provision of tax in prior periods	36,657	(307,834)	-
Unrecognised tax benefits	1,545,922	33,347	-
Changes in valuation allowance	(499,478)	288,499	1,673,278
Total income tax expense (benefit) at the Company's effective income tax rate	1,597,057	(144,397)	(22,998)
Hong Kong statutory income tax rate	17.5%	17.5%	17.5%
Effective income tax rate	(56.4%)	10.4%	0.2%

Deferred tax assets and liabilities as of March 31, 2008 and 2007 comprise of the following:

	March 31, 2008 US$	March 31, 2007 US$
Deferred tax assets:		
Impairment of property, plant and equipment	135,243	145,263
Provision for inventories	454,456	450,673
Provision for warranty	63,535	-
Operating losses carried forward	6,604,699	7,161,475
Gross deferred tax assets	7,257,933	7,757,411
Less: Valuation allowance for deferred tax assets	(7,257,933)	(7,757,411)
Net deferred tax assets	-	-
Deferred tax liabilities:		
Other temporary differences	(36,734)	(108,768)
Tax over book depreciation of property, plant and equipment	(29,758)	(10,695)
Total deferred tax liabilities	(66,492)	(119,463)
Net deferred tax liabilities	(66,492)	(119,463)

19. INCOME TAXES (continued)

	2008 US$	2007 US$	2006 US$
Valuation allowance:			
Balance at beginning of fiscal year	7,757,411	7,468,912	5,795,634
Additions (reversal)	(499,478)	288,499	1,673,278
Balance at end of fiscal year	7,257,933	7,757,411	7,468,912

For financial reporting purposes, the Company has established valuation allowances by tax jurisdiction for deferred tax assets, including tax losses carried forward, that management believes are not more likely than not realizable. As of March 31, 2008 and 2007, the Company had tax losses carried forward of US$29,294,066 and US$31,922,740, respectively. The tax losses may be carried forward for five years up to an indefinite period, based on tax jurisdiction, of which, amounts of US$9,584,238 and US$11,512,054 as of March 31, 2008 and 2007, respectively, are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As of March 31, 2008 and 2007, tax losses of US$18,350,692 and US$18,201,001 may be carried back for 2 years or carried forward for 20 years from the year the tax losses arose. The remaining losses carried forward begin expiring in 2010.

The impact of the adoption of FIN 48

In July 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 ("FIN 48"), which clarifies the accounting and disclosures for uncertainty in tax positions, as defined in that interpretation. FIN 48 prescribes a more-likely-than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

The Company has made its assessment of its uncertain tax positions (including the potential of interest and penalties) in accordance with the requirements of FIN 48 based on the technical merits and has determined that there is no material adjustment required to its opening shareholders' equity as a result of the adoption of FIN 48.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits under FIN 48, exclusive of related interest and penalties, is as follows:

	2008 US$
Balance at beginning of fiscal year	3,340,871
Additions based on tax positions related to the current year	1,452,351
Additions for tax positions of prior years	471,014
Reductions for tax positions of prior years	(377,442)
Balance at end of fiscal year	4,886,794

19. INCOME TAXES (continued)

The Company's unrecognized tax benefits is presented in the consolidated balance sheet within income tax payable.

As of the date of adoption of FIN48, the Company had US$3,340,871 of unrecognized tax benefits, which would affect the effective tax rate if recognized. As of March 31, 2008, the Company had US$4,886,794 unrecognized tax benefits, which would affect the effective tax rate if recognized.

In accordance with FIN48, the Company classified possible interest and penalties due to any underpayment of income taxes and uncertain tax positions, if and when required, as interest expenses and other expenses, respectively. During the fiscal year ended March 31, 2008, the Company recorded US$929,922 in interest and penalties relating to certain uncertain tax positions. The Company accrued a total of US$1,556,980 for interest and penalties as of March 31, 2008.

One of the Company's wholly-owned subsidiaries is currently under examination by the Hong Kong tax authority. The tax period opened for examination by the tax authority includes the fiscal years ended March 31, 2002 through 2007. While it is difficult to predict the timing and settlement in the final outcome of the examination, the Company does not anticipate a significant change in its unrecognized tax benefits within the next 12 months.

Based on existing tax regulations in the Company’s various operating jurisdictions, tax years 1998-2008 remain open to possible tax examination by relevant tax authorities.

20. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share of common stock of the Company for the fiscal years ended March 31, 2008, 2007 and 2006 is computed in accordance with SFAS No. 128, "Earnings Per Share", by dividing the net income or loss for each fiscal year by the weighted average number of shares of common stock outstanding during the year.

The following table sets forth the computation of basic and diluted loss per share:

	2008	2007	2006
	US$	US$	US$
Numerator for basic and diluted loss per share:			
Loss attributable to common stockholders	(4,427,113)	(1,166,701)	(11,223,394)
	Number	Number	Number
Denominator for basic and diluted loss per share:			
Weighted average number of shares of common stock	12,225,791	12,223,608	12,223,608
	US$	US$	US$
Basic and diluted loss per share of common stock	(0.36)	(0.10)	(0.92)

20. BASIC AND DILUTED LOSS PER SHARE (continued)

1,003,200, nil and 1,086,007 stock options of Global-Tech were excluded from the computation of diluted loss per share for the fiscal years ended March 31, 2008, 2007 and 2006, respectively, because their inclusion would have been anti-dilutive.

21. COMMITMENTS

(a) Capital commitments

As of March 31, 2008, the Company had capital commitments of US$1,273,325 (2007: US$119,379) for the purchase of property, plant and equipment.

(b) Operating lease commitments

In addition to the land use rights described in note 11, the Company has entered into various operating lease arrangements for parking lots, motor vehicles, equipment and real estate. The Company recorded rental expenses, excluding the land use rights payments described in note 11 to the financial statements, for the fiscal years ended March 31, 2008, 2007 and 2006 of US$397,820, US$410,754 and US$628,826, respectively, and recorded nil, nil, and US$28,877 sublease income for the fiscal years ended March 31, 2008, 2007 and 2006, respectively. Future minimum rental payments under non-cancelable operating leases as of March 31, 2008 and 2007 were as follows:

	2008 US$	2007 US$
Payable:		
Within one year	290,644	360,816
Over one year but not exceeding two years	462,700	219,844
Over two years but not exceeding three years	462,700	299,859
Over three years but not exceeding four years	462,700	299,859
Over four years but not exceeding five years	462,700	299,859
Over five years	10,021,316	9,395,576
	12,162,760	10,875,813

22. CONTINGENCIES

(a) Global-Tech and Pentalpha Enterprises Limited ("Pentalpha Enterprises"), a subsidiary of Global-Tech, are involved in breach of contract litigation with Sunbeam Corporation and Sunbeam Products, Inc. (collectively "Sunbeam"), with both parties claiming and counter-claiming. The trial on the claims of Sunbeam for indemnity and the claim of Pentalpha Enterprises for breach of contract began on January 12, 2004. On January 16, 2004, the jury (the "Jury") returned a verdict in favor of (i) Sunbeam on its claim for indemnity and awarded Sunbeam approximately US$2.5 million against Pentalpha Enterprises and (ii) Pentalpha Enterprises on its claim for breach of contract and awarded Pentalpha Enterprises US$6.6 million. The United States District Court for the Southern District of Florida granted a final judgment on February 11, 2004 to add prejudgment interest to the Jury's award, and awarded Sunbeam approximately US$3.4 million and Pentalpha Enterprises US$6.6 million.

After the appeal, by an amended judgment dated December 12, 2005, the district court awarded Pentalpha Enterprises prejudgment interest from June 30, 2001 to February 11, 2004, bringing the judgment entered in favor of Pentalpha Enterprises as of February 11, 2004 to approximately US$8 million, and leaving unchanged the judgment entered against Pentalpha Enterprises in favor of Sunbeam.

After the appeal, the district court, on its own initiative, entered a second amended judgment on April 16, 2007 and on June 4, 2007 entered a third amended judgment that awarded Pentalpha Enterprises prejudgment interests from June 30, 2001 until the entry of the second amended judgment on December 12, 2005, at the interest rates required by Florida law and awarded Sunbeam's prejudgment interest until December 12, 2005. The post judgment interest for both parties is calculated at 4.35% per annum from the date the amended judgment was entered on December 12, 2005 until paid. On June 16, 2007, Pentalpha Enterprises filed a notice of appeal to the Court of Appeals to challenge the portion of the judgment in favor of Sunbeam that extends the prejudgment interest until December 12, 2005. On June 16, 2007, Pentalpha Enterprise filed a notice of appeal to the Court of Appeals to challenge the portion of the judgment in favor of Sunbeam that extends the prejudgment interest until December 12, 2005. If Pentalpha Enterprise succeeds, Sunbeam will be entitled to a lower prejudgment interest from February 11, 2004 and post judgment interest thereafter at a rate of 1.23%. All the briefs on the appeal have been filed. Oral argument has not yet been scheduled on Pentalpha Enterprises' current and third appeal. The outcome of that appeal is uncertain.

Sunbeam posted a bond in the amount of approximately US$5.2 million, which was attached pursuant to the September 7, 2005 order of the United States District Court for the Southern District of New York (the "Court Order") in the action SEB S.A., ("SEB") v. Montgomery Ward, Pentalpha Enterprises and Global-Tech, pending in the district court. On July 13, 2007, Sunbeam wire transferred to an escrow account of SEB's attorney approximately US$5.5 million. SEB's attorney is holding that money in trust in an escrow account pursuant to the Court Order for Pentalpha Entreprises. Sunbeam's payment of the funds into escrow eliminates its obligation to pay post-judgment interest on the amount that it paid into escrow. Given the Sunbeam's payment, the district court has discharged the bond that Sunbeam posted.

22. CONTINGENCIES (continued)

(a) (continued)

Accordingly, the Company recognized a gain of approximately US$8.0 million from its claim against Sunbeam for breach of contract and a loss of approximately US$3.4 million on the claims of Sunbeam for indemnity in its consolidated statement of operations for fiscal year 2006. During fiscal year 2007, Pentalpha Enterprises recognized post-judgment interest of approximately US$818,000 in its consolidated statement of operations. In fiscal year 2008, the Company further recognized post-judgment interest and interest generated from the escrow account of approximately US$220,000.

(b) SEB commenced an action in 1999 in the United States District Court for the Southern District of New York for patent infringement against Global-Tech, Pentalpha Enterprises, and Montgomery Ward, then a customer of Pentalpha Enterprises. The Court ordered Pentalpha Enterprises, among other things, to give notice to SEB of any attempt to collect the judgment against Sunbeam. The district court attached the entire judgment by order dated September 7, 2005. The district court conducted a trial beginning on April 17, 2006. On April 21, 2006, the jury returned a verdict finding that Pentalpha Enterprises had infringed the SEB patent, that the infringement was willful and that SEB was entitled to a reasonable royalty in a total amount of US$4.65 million.

Both sides have made post-trial motions. Global-Tech and Pentalpha Enterprises have moved for judgment as a matter of law on a wide range of issues, and for a new trial. SEB has moved to enhance damages with the addition of treble damages, prejudgment interest and attorneys' fees. The motions have been fully briefed. The district court heard oral arguments on April 11, 2007 and June 21, 2007. The district court also heard testimony from a SEB witness on July 19, 2007 with respect to Pentalpha Enterprises' motion for judgment as a matter of certain issues based upon SEB's failure to produce certain documents during the discovery.

In a memorandum decision and order dated October 9, 2007, the district court denied all of Pentalpha Enterprises' post-trial motions, except that the court reduced the amount of the jury verdict by US$2 million based upon SEB's receipt of that amount from Sunbeam. The district court also granted SEB's motion for enhanced damages of US$2.65 million, awarded SEB its attorneys' fee of approximately US$0.9 million, and prejudgment interest at the prime interest rate. SEB has submitted a claim for approximately US$1.8 million in prejudgment interest and a supplemental claim for approximately US$0.25 million in attorneys' fees and expenses. Pentalpha Enterprises has disputed the claim for attorneys' fees on the grounds that they resulted from the misconduct of SEB in concealing documents, but not the calculation of prejudgment interest.

By motion filed on November 24, 2007, Pentalpha Enterprises moved for reconsideration of the award of enhanced damages and all attorneys' fees, including any supplemental attorneys' fees, in the district court's October 9, 2007 opinion based upon a decision of the Federal Circuit in a different case, on August 20, 2007 that imposed additional requirements for a finding of willfulness that the jury did not consider in this case.

22. CONTINGENCIES (continued)

(b) (continued)

Notwithstanding the memorandum decision and order was issued on October 9, 2007, no judgment has yet been entered. Pentalpha Enterprises is preparing to appeal after a judgment has been entered. The outcome of this action is uncertain. Also, the assessment for attorneys' fees of approximately US$0.9 million and the supplemental claim of approximately US$0.25 million have also been assessed as being uncertain at this stage.

In accordance with SFAS No. 5 "Accounting for Contingencies", the Company accrued for loss contingencies in connection with this case of US$4.65 million as of March 31, 2006, with a corresponding charge to the consolidated statement of operations for the fiscal year ended March 31, 2006. As a result of the court's issuance of the memorandum during the fiscal year ended March 31, 2008 with respect to the credit for the amount paid to SEB by Sunbeam and prejudgment interest, the Company accrued for additional loss contingencies of US$287,000 for the fiscal year ended March 31, 2008.

(c) On October 11, 2004, Best Hero Limited ("Best Hero") issued a writ in the Court of First Instance of the High Court of Hong Kong against a subsidiary of the Company for a payment of US$4,250,400. The claim relates to two purchase orders issued by the subsidiary on May 31, 2004 and June 1, 2004, respectively, to Best Hero for the purchase of LCD TV panels for a total purchase price of US$4,620,000. However, the LCD TV panels which were paid for in the initial shipment were determined to be unacceptable. Accordingly, further delivery of the remaining orders was refused. Best Hero alleged that the subsidiary had repudiated the contract, and therefore Best Hero instituted legal proceedings to claim for damages. The subsidiary intends to defend the action on the grounds that it is justified in rejecting the goods for breach of conditions as to descriptions and the sample provided to the subsidiary by Best Hero. A defence and counter-claim was filed by the subsidiary in the High Court on December 28, 2004. Best Hero filed a Reply and Defence to Counterclaim on January 11, 2005. The discovery of documents in this action has been concluded and the parties are still in the course of preparing their respective witness statements.

In accordance with SFAS No. 5, the Company determined that it is probable that a loss will be incurred and accordingly, it recognized a contingent loss of approximately US$0.8 million for the fiscal year ended March 31, 2005, representing its best estimate of the likely loss that it will incur. For the fiscal years ended March 31, 2008 and 2007, the Company accrued for additional prejudgment interest in connection with loss contingencies of approximately US$63,000 and US$46,000, respectively, representing its best estimate of the likely additional loss that it will incur.

22. CONTINGENCIES (continued)

(d) On February 9, 2001, Wing Shing Products (BVI) Company Limited ("Wing Shing Products"), a subsidiary of the Company, commenced an action in the United States District Court for the Southern District of New York against Simatelex Manufactory Corporation, claiming patent infringement.

Subsequent to the balance sheet date, on May 30, 2008, Wing Shing Products and Simatelex entered into an agreement to settle this action. Pursuant to that settlement agreement, Simatelex promised (i) to pay Wing Shing Products US$1.8 million, (ii) to consent to the entry of a final judgment and permanent injunction restraining further infringements of the design patent and admitting that the design patent is valid and that the AD Series products Simatelex sold infringed it, (iii) to dismiss with prejudice its counterclaim and affirmative defenses concerning the validity and enforceability of the design patent in the action Wing Shing Products v. Sunbeam Products and (iv) to exchange of release. Since the execution of that settlement agreement, Simatelex has paid Wing Shing Products the US$1.8 million in June 2008. The parties have requested that the court enter the final judgment and permanent injunction, and it has done so. No compensation income has been recorded in fiscal year 2008 and the US$1.8 million will be recognized in fiscal year 2009.

(e) As of March 31, 2008, the Company has recognized US$4,886,794 of liabilities for unrecognized tax benefits and, in addition, US$1,556,980 of interest and penalties. The unrecognized tax benefits relate mainly to potential transfer pricing arrangements reflected in the Hong Kong and PRC income tax returns of the Company’s subsidiaries. The final outcome of these tax uncertainties is dependent upon various matters including tax examinations, legal proceedings, competent authority proceedings, changes in regulatory tax laws, or interpretation of those tax laws, or expiration of statues of limitation. However, based on the number of jurisdictions, the uncertainties associated with litigation, and the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, which could include formal legal proceedings, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties. As of March 31, 2008, the Company classified US$4,886,794 of its liabilities for unrecognized tax benefits and US$1,556,980 of interest and penalties as current liabilities.

23. EMPLOYEE BENEFITS

The Company operates a Mandatory Provident Fund ("MPF") scheme and an Occupational Retirement Schemes Ordinance ("ORSO") scheme for all its qualified employees in Hong Kong. Both the MPF and the ORSO schemes are defined contribution schemes and are administered by independent trustees.

MPF is available to all employees aged 18 to 64 and with at least 60 days of service as an employee of the Company in Hong Kong. Under the MPF scheme, both the Company and the employee contributes the lower of 5% of the employee's basic salary and HK$1,000 (approximately US$128), subject to a cap of a monthly basic salary of HK$20,000 (approximately US$2,571). Employees are entitled to 100% of the Company's contributions together with accrued returns irrespective of their length of service with the Company, but the benefits are required by law to be preserved until the retirement age of 65.

23. EMPLOYEE BENEFITS (continued)

Certain full-time employees in Hong Kong who joined the Company before December 2000 are eligible to participate in the ORSO scheme immediately following the date on which they have completed their probationary period. Under the ORSO scheme, both the Company and the employee contribute 5% of the employee's basic salary.

The costs of these schemes recognized during the fiscal years ended March 31, 2008, 2007 and 2006 were US$94,906, US$117,787 and US$176,334, respectively.

According to the relevant laws and regulations in the PRC, the Company is required to contribute 10% of the stipulated salary set by the local government of Dongguan, the PRC, to certain retirement benefits schemes to fund the benefits for its employees. No forfeited contributions may be used by the employer to reduce the existing level of contributions. The Company also provides housing, medical care and subsidized meals to all factory employees. The aggregate amounts incurred by the Company for all such benefits were US$911,985, US$579,157 and US$758,737 during the fiscal years ended March 31, 2008, 2007 and 2006, respectively.

24. SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segment of an Enterprise and Related Information", establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in financial reports issued to stockholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance.

The Company operates in three segments: Home Appliances, Electronic Components and Others. These segments are operated and managed as separate strategic business units that offer different products. These segments are each managed separately because they manufacture and distribute products with different production processes. The Company's "Home Appliances" segment historically has been the core business of the Company and primarily involves in manufacturing small electrical household appliances for branded marketers in North America and Europe. The Company's "Electronic Components" segment produces complementary metal oxide semiconductor ("CMOS") camera modules ("CCM") for sale to cellular phone manufacturers in Mainland China. The Company's "Others" segment comprises a number of immaterial product lines and development programs that have not materialized to date into full product businesses, including units focusing on organic light emitting diodes ("OLED") and display-oriented products. None of these units has ever individually met the quantitative thresholds for determining reportable segments. The chief operating decision maker evaluates the results of each segment in assessing performance and allocating resources among the segments.

There were no material intersegment sales or transfers during the fiscal years ended March 31, 2008, 2007 and 2006.

24. SEGMENT INFORMATION (continued)

(a) The following table provides operating financial information for the three reportable segments:

	Home Appliances US$	Electronic Components US$	Others US$	Corporate US$	Consolidated US$
As of or for the fiscal year ended March 31, 2008					
Revenues from external customers	65,371,010	38,961,753	1,210,326	-	105,543,089
Interest income	-	-	-	1,615,278	1,615,278
Interest expense	(23,797)	(335)	(26)	112,562*	88,404
Depreciation and amortization	(2,221,247)	(342,904)	(277,191)	(259,376)	(3,100,718)
Segment profit (loss)	2,002,841	2,104,366	(1,165,552)	(7,368,768)	(4,427,113)
Total assets	22,647,513	24,639,014	1,279,460	60,158,713	108,724,700

*Overprovision of interest expense in the prior year of US$112,562.

	Home Appliances US$	Electronic Components US$	Others US$	Corporate US$	Consolidated US$
As of or for the fiscal year ended March 31, 2007					
Revenues from external customers	46,831,503	12,264,440	1,194,851	-	60,290,794
Interest income	-	-	-	2,063,566	2,063,566
Interest expense	(299)	-	(18)	(627,058)	(627,375)
Depreciation and amortization	(2,543,773)	(157,329)	(327,211)	(444,461)	(3,472,774)
Segment profit (loss)	(2,110,397)	130,383	2,741,687^	(1,928,374)	(1,166,701)
Total assets	34,097,999	6,081,149	1,455,948	58,646,255	100,281,351

^Including a gain on disposal of subsidiaries of US$3,951,520.

	Home Appliances US$	Electronic Components US$	Others US$	Corporate US$	Consolidated US$
As of or for the fiscal year ended March 31, 2006					
Revenues from external customers	64,868,351	5,940,788	3,002,961	-	73,812,100
Interest income	-	-	-	1,278,093	1,278,093
Interest expense	(51,798)	(1)	(3,636)	-	(55,435)
Depreciation and amortization	(2,726,815)	(107,338)	(948,105)	(967,418)	(4,749,676)
Segment profit (loss)	932,260	(61,124)	(6,766,654)	(5,327,876)	(11,223,394)
Total assets	36,678,175	4,262,361	3,425,367	53,713,874	98,079,777

24. SEGMENT INFORMATION (continued)

(b) Net sales by geographic area

	2008 US$	2007 US$	2006 US$
Australia	633,155	496,166	438,303
Europe	6,258,491	7,728,412	8,316,484
North America	53,644,116	34,689,223	54,438,145
Asia	44,911,592	16,812,264	10,438,473
Other regions	95,735	564,729	180,695
	105,543,089	60,290,794	73,812,100

(c) Net sales by product type

	2008 US$	2007 US$	2006 US$
Floor care products	59,694,981	39,905,755	54,570,730
Kitchen appliances	2,274,175	5,394,259	7,315,672
CCMs	38,902,642	12,232,428	5,917,146
Others	4,671,291	2,758,352	6,008,552
	105,543,089	60,290,794	73,812,100

(d) Long-lived assets*

	March 31, 2008 US$	March 31, 2007 US$
Hong Kong	582,706	651,967
Mainland China	27,362,390	22,537,748
United States of America	-	-
	27,945,096	23,189,715

*Long-lived assets represent land use rights, and property, plant and equipment.

(e) Impairment of property, plant and equipment

The impairment losses of property, plant and equipment for the fiscal years ended 2008, 2007 and 2006, amounted to nil, US$17,174 and US$783,802, respectively, related to the "Others" segment.

24. SEGMENT INFORMATION (continued)

(f) Major customers

Customers accounting for 10% or more of the Company's net sales are as follows:

	2008 US$	2007 US$	2006 US$
Techtronic Industries Company Limited, including Royal Appliance Manufacturing Company Limited ("Royal")	16,184,868	19,540,674	29,893,656
Electrolux S.A. and subsidiaries ("Electrolux")	45,651,213	20,180,930	25,133,617

During the fiscal years ended March 31, 2008, 2007 and 2006, 15.3%, 32.4% and 40.5%, respectively, of the Company's total net sales were made to and as of March 31, 2008, 2007 and 2006, 16.0%, 25.9% and 39.3%, respectively, of the Company's total accounts and bills receivable were from Royal, which is an unrelated customer. During the fiscal years ended March 31, 2008, 2007 and 2006, 43.3%, 33.5% and 34.1%, respectively, of the Company's total net sales were made to and as of March 31, 2008, 2007 and 2006, 22.7%, 30.7% and 27.8%, respectively, of the Company's total accounts and bills receivable were from Electrolux, which is an unrelated customer. The Company is a contract manufacturer of vacuum cleaners that are marketed by Royal and Electrolux under their respective brand names.

25. CONCENTRATION OF RISKS

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk primarily consist of cash and cash equivalents, a time deposit, amounts due from a jointly-controlled entity and a related party, a convertible note, an interest receivable, available-for-sale investments and accounts and bills receivable.

As of March 31, 2008, substantially all of the Company's cash and cash equivalents, time deposit, amounts due from a jointly-controlled entity and a related party, convertible note, interest receivable, and available-for-sale investments were financial assets that the management believes are of high credit quality.

The Company conducts credit evaluations of its customers but does not require collateral or other security from its customers. The Company makes allowance for doubtful accounts primarily based on the age of receivables and factors surrounding the customers' credit risk.

25. CONCENTRATION OF RISKS (continued)

Concentration of customers

The Company currently sells a substantial portion of its floor care products to a limited number of customers. As a percentage of revenues, the top two customers accounted for 58.6%, 65.9% and 74.6% of consolidated net sales for the fiscal years ended March 31, 2008, 2007 and 2006, respectively. Sales to customers are mostly made through non-exclusive, short-term arrangements. The loss of either of these major customers if not replaced by new electronic components customers could have a material adverse effect on the Company's business, results of operations and financial condition.

Current vulnerability due to certain concentrations

The Company's operations are mainly conducted in Hong Kong and Mainland China. As a result, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in Hong Kong and Mainland China, and by the general state of the Hong Kong and Mainland China economies.

The Company’s operations may be adversely affected by significant political, economic and social uncertainties in Mainland China. Although the Mainland China government has been pursuing economic reform policies for more than 20 years, no assurance can be given that the Mainland China government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting its political, economic and social conditions. There is also no guarantee that the Mainland China government’s pursuit of economic reforms will be consistent or effective.

A significant portion of the Company’s businesses are transacted in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the Mainland China government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People’s Bank of China. However, the unification of the exchange rates does not imply the convertibility of RMB into United States dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the People’s Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People’s Bank of China. Approval of foreign currency payments by the People’s Bank of China or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

26. FINANCIAL INSTRUMENTS

The Company's financial instruments that are subject to credit risks are limited to its cash and cash equivalents, time deposit, available-for-sale investments, accounts and bills receivable, amounts due from a jointly-controlled entity and a related party, interest receivable and convertible note.

The Company's financial assets and liabilities are recognized initially at cost which is the fair value of the consideration given (in the case of assets) or received (in the case of liabilities). Transaction costs (such as debt issuance costs) are included in the initial measurement of all financial assets and liabilities. Subsequent to initial recognition, assets and liabilities are either valued at amortized cost using the effective interest rate method or at fair value, depending on classification.

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of March 31, 2008 and 2007. There were no material unrecognized financial assets and liabilities as of March 31, 2008 and 2007.

	Carrying value		Fair value	
	2008	2007	2008	2007
	US$	US$	US$	US$
Current financial assets:				
Cash and cash equivalents	31,672,585	29,824,914	31,672,585	29,824,914
Time deposit	-	67,688	-	67,688
Available-for-sale investments	4,419	14,869,990	4,419	14,869,990
Accounts and bills receivable, net	22,073,653	9,535,635	22,073,653	9,535,635
Amount due from a related party	28,746	-	28,746	-
Amount due from a jointly-controlled entity	57,873	41,082	57,873	41,082
	53,837,276	54,339,309	53,837,276	54,339,309
Non-current financial assets:				
Convertible Note	5,417,403	5,241,705	5,835,007	5,466,126
Interest receivable	336,000	168,000	336,000	168,000
Total financial assets	59,590,679	59,749,014	60,008,283	59,973,435

	Carrying value		Fair value	
	2008	2007	2008	2007
	US$	US$	US$	US$
Current financial liabilities:				
Accounts payable	8,935,551	6,279,477	8,935,551	6,279,477
Loan payable	1,600,311	-	1,600,311	-
Amount due to a related party	-	4,664	-	4,664
Total financial liabilities	10,535,862	6,284,141	10,535,862	6,284,141

26. FINANCIAL INSTRUMENTS (continued)

The carrying amounts of the Company's cash and cash equivalents, time deposit, accounts and bills receivable, amounts due from a jointly-controlled entity and a related party, interest receivable accounts payable and amount due to a related party approximate to their fair values because of their short maturities. The estimated fair value of the Convertible Note is based on the discounted value of future cash flows using the U.S. Treasury yields adjusted for other risks such as credit risk and country risk premium for bonds traded on The Singapore Exchange for similar type of instruments.

The Company's cash and cash equivalents and time deposit are placed primarily with banking institutions with high credit ratings. The Company performs periodic credit standing evaluation of those banking institutions to limit the Company's exposure to any significant credit risks.

The accounts and bills receivable balances largely represent amounts due from the Company's principal customers. Receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant. The Company does not require collateral for any of its financial assets.

If the counterparties to the above financial assets fail to perform completely under the terms of their contract, the maximum loss, based on the gross fair value of the financial instruments, due to this credit risk would be US$60,008,283 as at March 31, 2008.

27. STOCK COMPENSATION

In September 1997, the Board of Directors adopted Global-Tech's 1997 Stock Option Plan (as amended, the "1997 Plan"). The 1997 Plan provides for the grant of (i) options that are intended to qualify as incentive stock options ("Incentive Stock Options") within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") to employees and (ii) options not intended to qualify as Incentive Stock Options to employees and consultants. The total number of shares of common stock for which options may be granted under the 1997 Plan is 1,600,000 shares. The 1997 plan expired on September 17, 2008 and no further grants can be made from this plan after that date.

In October 2005, the Board of Directors adopted Global-Tech's 2005 Stock Option Plan (the "2005 Plan"). The 2005 Plan provides for the grant of (i) "incentive stock options" ("ISOs") within the meaning of Section 422 of the Code; (ii) non-qualified stock options that do not qualify as ISOs ("NQSOs"); and (iii) stock appreciation rights. The total number of shares of common stock for which options may be granted under the 2005 Plan is 1,800,000 shares.

27. STOCK COMPENSATION (continued)

The 1997 Plan and the 2005 Plan (the "Plans") are administered by the Board of Directors or a committee of outside directors appointed by the Board of Directors, who determines the terms of options, including the exercise price, the number of shares subject to the options and the terms and conditions of exercise. No option granted under the Plans is transferable by the optionee other than by will or the laws of descent and distribution and each vested option is exercisable within the contractual period of the option. With respect to any participant who owns (or is deemed to own) stock possessing more than 10% of the voting rights of Global-Tech's outstanding capital stock, the exercise price of any Incentive Stock Option must not be less than 110% of the fair market value on the date of grant. The term of each option granted pursuant to the Plans may be established by the Board of Directors, or a committee of the Board of Directors, in its sole discretion; provided, however, that the maximum term of each Incentive Stock Option granted pursuant to both the 1997 Plan and the 2005 Plan is 10 years. With respect to any Incentive Stock Option granted to a participant who owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of all classes of Global-Tech's outstanding capital stock, the maximum term is five years. Shares of common stock distributed under the 1997 Plan and the 2005 Plan will be from authorized, but unissued shares.

Every option granted shall vest and become exercisable in accordance with the terms of the applicable option agreement. Options can be exercised for a period not exceeding 10 years from the date of grant.

On May 10, 2000, Global-Tech offered a voluntary program to exchange up to approximately 991,900 options previously granted at exercise prices ranging from US$8.31 to US$19.00 for a lower number of options at an exercise price of US$6.25 per share. As a result, 914,100 old options were exchanged for 711,175 options with an exercise price of US$6.25 per share. In accordance with FASB Interpretation 44, these 711,175 options, together with the 12,500 options granted within six months before or after the date of cancellation of the old options (hereinafter collectively referred to as the "repriced options"), were subject to variable accounting prospectively and stock compensation expense was adjusted for subsequent changes in intrinsic value. For the fiscal years ended March 31, 2006 and 2005, stock compensation expenses of US$348,162 and US$1,247,061 were reversed in the consolidated statement of operations. The adoption of SFAS No. 123(R) under the modified prospective transition method requires that equity awards that previously were accounted for as variable awards under APB 25 that were not liabilities under SFAS No. 123(R) would no longer be accounted for as a variable award. For the fiscal year ended March 31, 2007, no share-based compensation was recognized or reversed as all the repriced options were completely vested as of March 31, 2006.

Under the 1997 Plan and the 2005 Plan, which expire in ten years, options granted generally vest 25% after the first year of service and ratably each month over the remaining 36-month period.

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcomes. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve with maturity equal to the expected life of the options in effect at the time of grant.

27. STOCK COMPENSATION (continued)

For the fiscal year ended March 31, 2006, Global-Tech granted options to purchase (i) 180,000 shares of common stock to seven employees, 216,030 shares to four directors and 100,000 shares to a consultant with an exercise price of US$3.90 per share under the 1997 Plan; and (ii) 313,970 shares to two directors with an exercise price of US$3.90 per share under the 2005 Plan. During the fiscal year ended March 31, 2006, 347,538 options with an exercise price of US$6.25 per share granted to two directors and a consultant were cancelled, 21,500 options with exercise prices ranging from US$6.25 to US$7.64 per share were forfeited upon the resignation of the relevant participants, and 2,500 options with an exercise price of US$5.75 per share were expired.

For the fiscal year ended March 31, 2007, the Company granted options to purchase 3,000 shares of common stock to three employees and 301,000 shares to five directors with an exercise price of US$3.30 per share under the 2005 Plan. During fiscal year 2007, 126,200 options with exercise prices ranging from US$3.90 to US$8.32 per share were forfeited upon resignation of the relevant participants.

For the fiscal year ended March 31, 2008, no new options were granted. An aggregate of 19,950 options with exercise prices ranging from US$3.30 to US$7.64 per share were forfeited upon resignation of the relevant participants, 32,700 options with an exercise price of US$6.25 per share expired, and an aggregate of 2,500 options with an exercise price of US$3.90 per share were exercised.

The total compensation expense reversed in the SG&A line item in the consolidated statement of operations for the fiscal year ended March 31, 2006 amounted to US$233,892 and the total compensation expenses recognized for the fiscal years ended March 31, 2008 and 2007 were US$56,487 and US$1,123,577, respectively.

27. STOCK COMPENSATION (continued)

Changes in outstanding options under both the 1997 Plan and the 2005 Plan during the fiscal years ended March 31, 2008, 2007 and 2006 are as follows:

	2008				
	Number of options	Range of exercise price US$	Weighted average exercise price US$	Weighted average remaining contractual term (years)	Aggregate intrinsic value US$
Outstanding, at beginning of fiscal year	2,007,957	3.30-7.64	4.88	6.71	-
Granted	-	-	-		
Cancelled	-	-	-		
Expired	(32,700)	6.25	6.25		
Exercised	(2,500)	3.90	3.90		
Forfeited	(19,950)	3.30-7.64	5.47		
Outstanding, at end of fiscal year	1,952,807	3.30-7.64	4.85	5.82	-
Vested and expected to be vested at March 31, 2008	1,952,807	3.30-7.64	4.85	5.82	-
Exercisable, at end of fiscal year	1,650,140	3.30-7.64	4.48	5.80	-

	2007				
	Number of options	Range of exercise price US$	Weighted average exercise price US$	Weighted average remaining contractual term (years)	Aggregate intrinsic value US$
Outstanding, at beginning of fiscal year	1,830,157	3.90-8.32	5.25	7.3	-
Granted	304,000	3.30	3.30		
Cancelled	-	-	-		
Expired	-	-	-		
Exercised	-	-	-		
Forfeited	(126,200)	4.55-8.32	6.44		
Outstanding, at end of fiscal year	2,007,957	3.30-7.64	4.88	6.71	-
Vested and expected to be vested at March 31, 2007	2,007,957	3.30-7.64	4.88	6.71	-
Exercisable, at end of fiscal year	1,665,623	3.30-7.64	4.44	6.63	-

27. STOCK COMPENSATION (continued)

	2006				
	Number of options	Range of exercise price US$	Weighted average exercise price US$	Weighted average remaining contractual term (years)	Aggregate intrinsic value US$
Outstanding, at beginning of fiscal year	1,391,495	4.55-19.00	6.22	5.40	-
Granted	810,000	3.90-7.00	4.09		
Cancelled	(347,538)	6.25	6.25		
Expired	-	-	-		
Exercised	-	-	-		
Forfeited	(23,800)	5.57-19.00	7.78		
Outstanding, at end of fiscal year	1,830,157	3.90-8.32	5.25	7.3	-
Vested and expected to be vested at March 31, 2006	1,830,157	3.90-8.32	5.25	7.3	-
Exercisable, at end of fiscal year	1,028,807	3.90-8.32	5.00	6.0	-

The total intrinsic value of options exercised was US$750 during the fiscal year ended March 31, 2008.

During the fiscal year ended March 31, 2007, the Company granted an aggregate of 15,000 shares of common stock of Global-Tech to an employee with an effective grant date of November 6, 2006 of which 3,000 of such common stock will vest and be issued on the first anniversary of the date of the stock grant and 3,000 of such common stock will vest and be issued on the second, third, fourth, and fifth anniversary of the date of the stock grant, respectively.

Changes in the grant during the fiscal years ended March 31, 2008, 2007 and 2006 are as follows:

	2008		2007		2006	
	Shares	Weighted average grant-date fair value US$	Shares	Weighted average grant-date fair value US$	Shares	Weighted average grant-date fair value US$
Non-vested, at beginning of fiscal year	15,000	51,900	-	-	-	-
Granted	-	-	15,000	51,900	-	-
Vested	(3,000)	10,380	-	-	-	-
Forfeited	-	-	-	-	-	-
Non-vested, at end of fiscal year	12,000	41,520	15,000	51,900	-	-

The total fair value of the 3,000 shares vested in fiscal year ended March 31, 2008 is US$14,370.

27. STOCK COMPENSATION (continued)

Further information relating to the options granted under the 1997 Plan and the 2005 Plan that are outstanding as of March 31, 2008 are as follows:

Options outstanding as of March 31, 2008				Options exercisable as of March 31, 2008	
Number of options	Range of exercise price per option US$	Weighted average remaining contractual life (years)	Weighted average exercise price per option US$	Number of options	Weighted average exercise price per option US$
1,023,000	3.30 - 3.90	8.29	3.72	998,833	3.64
639,307	4.55 - 6.25	1.91	5.39	639,307	5.76
290,500	7.60 - 7.64	5.71	7.64	12,000	5.70
1,952,807	3.30 -7.64	5.82	4.85	1,650,140	4.48

As of March 31, 2007, there was US$86,501 unrecognized share-based compensation cost relating to options granted under the 1997 Plan and the 2005 Plan. That deferred cost is expected to be recognized over a weighted-average vesting period of one year. To the extent that the actual forfeiture rate is different from the original estimate, actual share-based compensation relating to these awards may be different from the expectations.

The fair value per option granted during the fiscal years ended March 31, 2007 and 2006 was estimated on the date of grant using the Black-Scholes option pricing model to be US$0.9671 to US$2.09, on a weighted-average basis. The fair values of the options granted were estimated on the date of grant using the following assumptions:

	2008*	2007
Risk-free interest rate	-	4.51% - 4.54%
Expected dividend yield	-	0%
Expected option life	-	5 - 7 years
Expected stock price volatility	-	37.71% - 38.47%

* No option was granted during the fiscal year ended March 31, 2008.

The expected option life is determined by considering the past exercising history. The weighted average grant date fair value of the options granted during the fiscal year ended March 31, 2007 was US$1.32.

28. COMPARATIVE AMOUNTS

Certain comparative balances in the consolidated financial statements have been reclassified to conform with the current year's presentation.

29. CONDENSED FINANCIAL INFORMATION

Under the relevant PRC laws and regulations, the Company's PRC subsidiaries (the "PRC Subsidiaries") are restricted in their ability to transfer certain of their net assets to Global-Tech in the form of dividend payments, loans, or advances. The amounts restricted include net assets of the PRC Subsidiaries, as determined pursuant to PRC generally accepted accounting principles, totaling RMB265,355,365 (approximately US$37,843,036) as of March 31, 2008.

The following is the condensed financial information of Global-Tech on a stand-alone basis:

Balance sheets

	2008 US$	2007 US$
ASSETS		
Current assets:		
Cash and cash equivalents	14,837,564	21,760,287
Available-for-sale investments	-	14,865,400
Prepaid expenses	36,274	35,947
Deposits and other assets	33,198	261,259
Total current assets	14,907,036	36,922,893
Interests in subsidiaries	63,566,252	42,809,597
Total assets	78,473,288	79,732,490
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Other accrued liabilities	230,450	352,246
Total liabilities	230,450	352,246
Shareholders' equity:		
Common stock, par value US$0.01 per share; 50,000,000 shares authorized; 12,908,255 and 12,902,755 shares issued and outstanding as of March 31, 2008 and 2007	129,083	129,028
Preferred stock, par value US$0.01 per share; 1,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital	84,222,582	84,154,401
Accumulated deficit	(4,714,141)	(287,028)
Accumulated other comprehensive income (losses)	3,098,761	(122,710)
Less: Treasury stock, at cost, 679,147 shares as of March 31, 2008 and 2007	(4,493,447)	(4,493,447)
Total shareholders' equity	78,242,838	79,380,244
Total liabilities and shareholders' equity	78,473,288	79,732,490

29. CONDENSED FINANCIAL INFORMATION (continued)

Statements of operations

	2008 US$	2007 US$	2006 US$
Net sales	-	-	-
Cost of goods sold	-	-	-
Gross profit	-	-	-
Selling, general and administrative expenses	(739,742)	(1,978,827)	(1,517,660)
Operating loss	(739,742)	(1,978,827)	(1,517,660)
Interest income, net	1,175,121	2,683,384	2,052,856
Equity in losses of subsidiaries	(6,458,631)	(1,775,469)	(13,884,306)
Other income (expenses), net	1,596,139	(95,789)	2,125,716
Net loss	(4,427,113)	(1,166,701)	(11,223,394)

Statements of cash flows

	2008 US$	2007 US$	2006 US$
Cash flows from operating activities:			
Net loss	(4,427,113)	(1,166,701)	(11,223,394)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Employee benefits on shares issued to an employee	1,969	-	-
Provision for (reversal of) stock compensation expense on options granted, net	56,487	1,123,577	(233,892)
Equity in losses of subsidiaries	6,458,631	1,775,469	13,884,306
Changes in operating assets and liabilities:			
Prepaid expenses	(327)	9,195	(45,142)
Deposits and other assets	228,061	(157,760)	138,615
Other accrued liabilities	(121,796)	25,005	110,019
Net cash provided by operating activities	2,195,912	1,608,785	2,630,512

continued/…

29. CONDENSED FINANCIAL INFORMATION (continued)

Statements of cash flows (continued)

	2008 US$	2007 US$	2006 US$
Cash flows from investing activities:			
Purchase of available-for-sale investments	-	(34,071,106)	(63,062,750)
Proceeds from disposal of available-for-sale investments	14,672,506	37,973,452	77,370,924
Decrease in callable deposit	-	-	4,650,000
Repayment from (advances to) subsidiaries	(21,942,192)	570,366	(16,231,886)
Capital injection into subsidiaries	(1,858,699)	-	-
Net cash provided by (used in) investing activities	(9,128,385)	4,472,712	2,726,288
Cash flows from financing activities:			
Proceeds from stock options exercised	9,750	-	-
Net cash provided by financing activities	9,750	-	-
Net increase (decrease) in cash and cash equivalents	(6,922,723)	6,081,497	5,356,800
Cash and cash equivalents at beginning of fiscal year	21,760,287	15,678,790	10,321,990
Cash and cash equivalents at end of fiscal year	14,837,564	21,760,287	15,678,790
Supplemental schedule of non-cash activities:			
Non cash dividend	-	-	2,351,665

(a) Basis of preparation

For the purposes of the preparation of the parent company only condensed financial information, the Company records its interests in direct and indirect subsidiaries under the equity method of accounting as prescribed in APB opinion No.18, The Equity Method of Accounting for Investments in Common Stock. Such interests, together with the advances to subsidiaries, are presented as "Interests in subsidiaries" in the balance sheets and share of the direct and indirect subsidiaries' income or losses as "Equity in losses of subsidiaries" on the statements of operations.

(b) Commitments

Global-Tech has provided a letter of support to certain of its subsidiaries indicating its commitment to continue to provide financial assistance.

Shareholder Information

BOARD OF DIRECTORS

Kwong Ho Sham
Chairman of the Board

John C.K. Sham
President and Chief Executive Officer

Brian Yuen
Chief Executive Officer, Global-Tech USA, Inc.

Patrick Po-On Hui
Director

Ken Ying-Keung Wong
Director

Barry J. Buttifant
Director

OFFICERS

Kwong Ho Sham
Chairman of the Board

John C.K. Sham
President and Chief Executive Officer

Brian Yuen
Chief Executive Officer, Global-Tech USA, Inc.

Kin Shek Leung
Acting Chief Financial Officer

REGISTRAR AND TRANSFER AGENT

American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10038
(212) 936-5100

INDEPENDENT ACCOUNTANTS

Ernst & Young
Certified Public Accountants
Hong Kong

LEGAL COUNSEL

Calfee, Halter & Griswold LLP
Cleveland, Ohio

2008 ANNUAL SHAREHOLDER MEETING

November 12, 2008 at 10:30 A.M.
Aberdeen Marina Club
8 Shum Wan Road
Aberdeen, Hong Kong

STOCK WATCH

Global-Tech's common shares are traded on The New York Stock Exchange ("NYSE") under the symbol GAI. The usual stock table abbreviation is GlbTApp.

From April 1, 2007 through March 31, 2008, the high and low last reported sale prices for Global-Tech's common shares listed on NYSE were US$5.85 and US$2.57, respectively.

As of August 31, 2008, approximately 33.5% of the outstanding ordinary shares of Global-Tech were held in the United States by 9 holders registered on the books of Global-Tech's transfer agent.

AVAILABILITY OF ADDITIONAL INFORMATION

This publication is a summary annual report. A copy of Global-Tech's annual report on Form 20-F and quarterly reports will be furnished without charge upon request to any shareholder. The annual report on Form 20-F is also available on Global-Tech's website at http://www.global-webpage.com. Please send requests to:

Investor Relations Department
Global-Tech Appliances Inc.
12/F., Kin Teck Industrial Building,
26 Wong Chuk Hang Road,
Aberdeen, Hong Kong

For further information on Global-Tech, its products and its markets, please call (852) 2814-0601 or fax (852) 2873-0591.