# GLOBAL-TECH ADVANCED INNOVATIONS INC.
# AND SUBSIDIARIES

## ANNUAL REPORT

## MARCH 31, 2009

## FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements relate to our future plans, objectives, expectations and intentions and involve inherent risks and uncertainties. We use words such as “expect,” “anticipate,” “project,” “believe,” “plan,” “intend,” “seek,” “should,” “estimate,” “future,” or variations of such words and other similar expressions to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements. Factors that could contribute to differences include, but are not limited to, the following: 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 and market acceptance especially in the area of cellular phone components and solutions and for our more technologically complex products; 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 our manufacturing capacity to higher-value, technology-oriented products; currency fluctuations including, but not limited to, the revaluation of the Chinese Renminbi; the imposition of China’s trading partners of economic sanctions and/or protective tariffs on Chinese manufacturing goods; uncertainties associated with investments; the regulatory environment; 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.

# TABLE OF CONTENTS

# LETTER TO OUR SHAREHOLDERS

Our fiscal year 2009 coincided with the worst global economic crisis since the Company's inception, the speed, depth and severity of which have not been seen for generations. The recession, together with resultant crippled financial and credit markets, created a precipitous decline in consumer spending which severely impacted our operating results.

The Company welcomed fiscal 2009 with strong growth rates in our electronic component business, with sales on pace to exceed fiscal 2008 results. However, the onset of the financial crisis, decreasing consumer demand and the resulting excesses in inventory severely impacted profit margins during the second and third quarters of fiscal 2009. Beginning late in fiscal 2009, margins began to gradually recover and have since returned to levels similar to those prior to the recession.

Net sales for the fiscal year ended March 31, 2009 were $87.4 million, compared to $105.5 million in fiscal 2008. Net loss for fiscal 2009 was $5.8 million, or $1.91 per share, compared to a net loss of $4.4 million, or $1.45 per share, in fiscal 2008.

Despite the challenging economic conditions and the resulting effects on operating results, fiscal 2009 was not without notable achievements, including the generation of $7.5 million in positive cash flow from operations, due in large part to improvements in working capital management, and an increase in cash and cash equivalents as compared to fiscal 2008. As one might expect, rapidly declining economic conditions required the Company to exercise extreme prudence, particularly with respect to capital expenditures. This responsiveness resulted in a $4 million, or $1.46 per share, increase in cash, cash equivalents and cash related instruments when compared to fiscal 2008.

In fiscal 2009, the Company continued its efforts to improve efficiency by discontinuing less profitable products and redirecting development efforts towards potentially more profitable products and businesses. These efforts included the pursuit of opportunities in the domestic Chinese market, where we believe an increase in middle class consumers is slowly emerging.

Looking beyond fiscal 2009, we are pleased with the current progress of our electronic manufacturing service business, which originated in 2008 in response to requests from cellular phone customers. While as with most new business ventures there was a fairly steep learning curve and initial losses, our understanding of the process has since greatly improved and the business is now contributing positively to the Company's operating results. In addition, our camera module business continues to have a strong foothold in the Chinese market and we intend to continue developing strategies for growing our existing and new businesses within this market.

I deeply appreciate the hard work of our employees and the patience of our shareholders during these unprecedented economic times.

JOHN C.K. SHAM
President and Chief Executive Officer

October 20, 2009

12/F., Kin Teck Industrial Building
26 Wong Chuk Hang Road
Aberdeen, Hong Kong
Tel.: (852) 2814-0601
Fax: (852) 2873-0591

# GLOBAL-TECH ADVANCED INNOVATIONS INC. AND SUBSIDIARIES

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS

## AS OF MARCH 31, 2009 AND 2008

## AND FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2008 AND 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**The Board of Directors and Shareholders of**
**Global-Tech Advanced Innovations Inc.**
(Formerly known as Global-Tech Appliances Inc.)

We have audited the accompanying consolidated balance sheets of Global-Tech Advanced Innovations Inc. and its subsidiaries as of March 31, 2009 and 2008, 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, 2009. 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 Advanced Innovations Inc. and its subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young

Hong Kong
September 26, 2009

GLOBAL-TECH ADVANCED INNOVATIONS INC.
(Formerly known as Global-Tech Appliances Inc.)

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2009 AND 2008

| | Notes | 2009 US$ | 2008 US$ |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 4 | 11,312,882 | 31,672,585 |
| Time deposits | 5 | 4,410,951 | - |
| Restricted cash | 6 | 4,389,880 | - |
| Available-for-sale investments | 7 | 15,985,288 | 4,419 |
| Accounts and bills receivable, net | 8 | 18,438,329 | 22,073,653 |
| Inventories | 9 | 8,448,398 | 12,540,999 |
| Prepaid expenses | | 264,147 | 212,482 |
| Deposits and other assets | | 1,492,514 | 2,205,087 |
| Legal claims receivable | 23 | 5,100,246 | 5,614,897 |
| Amount due from a related party | 10 | 33,011 | 28,746 |
| Amount due from a jointly-controlled entity | 10 | 69,523 | 57,873 |
| Convertible note | 14 | 5,598,487 | - |
| Interest receivable | | 504,000 | - |
| Total current assets | | 76,047,656 | 74,410,741 |
| Interests in jointly-controlled entities | 15 | - | - |
| Property, plant and equipment, net | 11 | 24,592,448 | 25,270,919 |
| Land use rights, net | 12 | 3,073,105 | 2,674,177 |
| Convertible note | 14 | - | 5,417,403 |
| Deposits paid for purchase of property, plant and equipment | | 200,696 | 615,460 |
| Interest receivable | | - | 336,000 |
| Total assets | | 103,913,905 | 108,724,700 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | | 7,962,971 | 8,935,551 |
| Loans payable | 17 | - | 1,600,311 |
| Customer deposits | | 716,670 | 636,732 |
| Accrued salaries, allowances and other employee benefits | | 3,194,216 | 2,811,473 |
| Accrual for loss contingencies | 23 | 6,076,640 | 6,010,044 |
| Other accrued liabilities | | 6,233,965 | 5,372,596 |
| Income tax payable | | 5,501,086 | 5,048,663 |
| Total current liabilities | | 29,685,548 | 30,415,370 |
| Deferred tax liabilities | 20 | 27,344 | 66,492 |
| Total liabilities | | 29,712,892 | 30,481,862 |
| Commitments and contingencies | 22, 23 | | |
| Shareholders' equity: | | | |
| Common stock, par value US$0.04 per share; 12,500,000 shares authorized; 3,227,064 shares issued and outstanding as of March 31, 2009 and 2008 | 18 | 129,083 | 129,083 |
| Preferred stock, par value US$0.04 per share; 250,000 shares authorized; no shares issued | | - | - |
| Additional paid-in capital | | 84,266,412 | 84,222,582 |
| Accumulated deficit | | ( 10,554,563) | ( 4,714,141) |
| Accumulated other comprehensive income | | 5,021,266 | 3,098,761 |
| Less: Treasury stock, at cost, 189,387 and 169,787 shares as of March 31, 2009 and 2008 | | ( 4,661,185) | ( 4,493,447) |
| Total shareholders' equity | | 74,201,013 | 78,242,838 |
| Total liabilities and shareholders' equity | | 103,913,905 | 108,724,700 |

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.
(Formerly known as Global-Tech Appliances Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2008 AND 2007

| | Notes | 2009 US$ | 2008 US$ | 2007 US$ |
|---|---|---|---|---|
| Net sales | | 87,387,372 | 105,543,089 | 60,290,794 |
| Cost of goods sold | | (81,500,506) | (94,975,910) | (56,762,423) |
| Gross profit | | 5,886,866 | 10,567,179 | 3,528,371 |
| Selling, general and administrative expenses | | (13,074,795) | (12,802,546) | (12,454,368) |
| Other operating income (loss), net | | 1,674,332 | (142,844) | 608,244 |
| Operating loss | | (5,513,597) | (2,378,211) | (8,317,753) |
| Interest income, net | | 533,486 | 1,703,682 | 1,436,191 |
| Other income (expenses), net | 19 | 431,993 | (1,809,344) | 1,728,337 |
| Loss on dissolution of a subsidiary | | (1,028,875) | - | - |
| Gain on disposal of subsidiaries | 13 | 157,597 | - | 3,951,520 |
| Share of losses of jointly-controlled entities | | - | (346,183) | (186,503) |
| Loss before income taxes | | (5,419,396) | (2,830,056) | (1,388,208) |
| Income tax benefit (expense) | 20 | (421,026) | (1,597,057) | 144,397 |
| Net loss before minority interests | | (5,840,422) | (4,427,113) | (1,243,811) |
| Minority interests | | - | - | 77,110 |
| Net loss | | (5,840,422) | (4,427,113) | (1,166,701) |
| Basic and diluted loss per share of common stock | 21 | (1.91) | (1.45) | (0.38) |
| | | Number | Number | Number |
| Basic and diluted weighted average number of shares of common stock | 21 | 3,051,216 | 3,056,448 | 3,055,902 |
| | | US$ | US$ | US$ |
| Rental expense paid to related parties (included in selling, general and administrative expenses) | 10(a) | 738,697 | 752,232 | 753,919 |
| Rental income earned from a related party (included in other income (expenses), net) | 10(b) | 50,812 | 50,302 | 49,957 |
| Management income earned from a related party (included in other income (expenses), net) | 10(c) | 106,677 | 99,582 | 111,992 |

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.
(Formerly known as Global-Tech Appliances Inc.)

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2008 AND 2007

| | 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, 2006 | 3,225,689 | (169,787) | 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 | 3,225,689 | (169,787) | 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 | 625 | - | 25 | 9,725 | - | - | - | 9,750 |
| Shares issued to an employee | 750 | - | 30 | 1,969 | - | - | - | 1,999 |
| Stock compensation expense | - | - | - | 56,487 | - | - | - | 56,487 |
| Balance as of March 31, 2008 | 3,227,064 | (169,787) | 129,083 | 84,222,582 | ( 4,714,141) | (4,493,447) | 3,098,761 | 78,242,838 |
| Net loss for the year | - | - | - | - | ( 5,840,422) | - | - | ( 5,840,422) |
| Other comprehensive income: | | | | | | | | |
| • unrealized gain on available-for-sale investments, net of income tax of nil | - | - | - | - | - | - | 10,064 | 10,064 |
| • release of realized foreign currency translation arising from dissolution of a subsidiary | - | - | - | - | - | - | 1,028,875 | 1,028,875 |
| • foreign currency translation adjustments | - | - | - | - | - | - | 883,566 | 883,566 |
| Total net comprehensive loss | | | | | | | | ( 3,917,917) |
| Shares repurchased as treasury stock | - | ( 19,600) | - | - | - | ( 167,738) | - | ( 167,738) |
| Shares issued to an employee | - | - | - | 1,969 | - | - | - | 1,969 |
| Stock compensation expense | - | - | - | 41,861 | - | - | - | 41,861 |
| Balance as of March 31, 2009 | 3,227,064 | (189,387) | 129,083 | 84,266,412 | (10,554,563) | ( 4,661,185) | 5,021,266 | 74,201,013 |

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.
(Formerly known as Global-Tech Appliances Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2008 AND 2007

| | 2009 US$ | 2008 US$ | 2007 US$ |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss | ( 5,840,422) | ( 4,427,113) | ( 1,166,701) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Minority interests in losses of subsidiaries | - | - | ( 77,110) |
| Amortization | 76,285 | 63,056 | 59,116 |
| Depreciation | 3,830,549 | 3,037,662 | 3,413,658 |
| Accretion of a convertible note discount | ( 181,084) | ( 175,698) | ( 168,173) |
| Gain on disposal of subsidiaries | ( 157,597) | - | ( 3,951,520) |
| Loss on dissolution of a subsidiary | 1,028,875 | - | - |
| Share of losses of jointly-controlled entities | - | 346,183 | 186,503 |
| Loss on disposal of property, plant and equipment | 39,645 | 17,386 | 97,997 |
| Impairment of property, plant and equipment | 200,407 | - | 17,174 |
| Allowance for doubtful accounts | - | 81,889 | 3,173 |
| Stock compensation expense | 41,861 | 56,487 | 1,123,577 |
| Shares issued to an employee | 1,969 | 1,969 | - |
| Deferred tax expense (benefit) | ( 39,319) | ( 52,983) | 80,967 |
| Foreign exchange | ( 168,485) | 388,188 | 862,735 |
| Changes in operating assets and liabilities: | | | |
| Accounts and bills receivable, net | 3,915,827 | ( 11,766,542) | ( 872,029) |
| Prepaid expenses | ( 48,200) | ( 28,529) | 84,594 |
| Deposits and other assets | 221,121 | 253,366 | ( 605,015) |
| Legal claims receivable | 522,312 | ( 219,552) | ( 853,752) |
| Amount due from a related party | ( 40,777) | ( 28,746) | - |
| Amount due from a jointly-controlled entity | 24,862 | 16,791 | 41,082 |
| Inventories | 4,342,192 | ( 2,582,189) | 1,646,669 |
| Interest receivable | ( 168,000) | ( 168,000) | ( 168,000) |
| Accounts payable | ( 297,899) | 2,341,377 | 1,079,664 |
| Accrued salaries, allowances and other employee benefits | 362,868 | 610,266 | 146,058 |
| Other accrued liabilities | ( 1,133,707) | 1,675,475 | 223,970 |
| Accrual for loss contingencies | 317,074 | 347,828 | 213,211 |
| Amount due to a related party | - | ( 4,664) | 4,664 |
| Income tax payable | 641,302 | 2,573,623 | 295,880 |
| Net cash provided by (used in) operating activities | 7,491,659 | ( 7,642,470) | 1,718,392 |

continued/…

GLOBAL-TECH ADVANCED INNOVATIONS INC.
(Formerly known as Global-Tech Appliances Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE FISCAL YEARS ENDED MARCH 31, 2009, 2008 AND 2007

| | 2009 US$ | 2008 US$ | 2007 US$ |
|---|---|---|---|
| Cash flows from investing activities: | | | |
| Proceeds from disposal of property, plant and equipment | - | 772 | 70,331 |
| Deposits paid for purchase of property, plant and equipment | ( 200,696) | ( 615,460) | ( 33,507) |
| Purchases of property, plant and equipment | ( 2,174,170) | ( 3,689,744) | ( 560,110) |
| Increase in land use rights | ( 403,243) | ( 47,273) | ( 205,300) |
| Decrease (increase) in time deposits | ( 4,380,440) | 67,688 | ( 67,688) |
| Proceeds from disposal of available-for-sale investments | 9,979,200 | 14,672,506 | 37,973,452 |
| Purchases of available-for-sale investments | ( 25,949,992) | - | ( 34,071,106) |
| Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of | ( 194) | - | - |
| Net cash provided by (used in) investing activities | ( 23,129,535) | 10,388,489 | 3,106,072 |
| Cash flows from financing activities: | | | |
| Capital contribution by minority shareholders | - | - | 76,781 |
| Increase in restricted cash | ( 4,374,697) | - | - |
| Repayment of short-term bank borrowings | - | - | ( 37,595) |
| Proceeds from stock options exercised | - | 9,750 | - |
| Purchases of treasury stock | ( 167,738) | - | - |
| Net cash provided by (used in) financing activities | ( 4,542,435) | 9,750 | 39,186 |
| Effect of foreign exchange rate changes on cash | ( 179,392) | ( 908,098) | ( 2,352,482) |
| Net increase (decrease) in cash and cash equivalents | ( 20,359,703) | 1,847,671 | 2,511,168 |
| Cash and cash equivalents at beginning of fiscal year | 31,672,585 | 29,824,914 | 27,313,746 |
| Cash and cash equivalents at end of fiscal year | 11,312,882 | 31,672,585 | 29,824,914 |
| Supplemental disclosure information: | | | |
| Cash paid for interest expense | 1,563 | 24,158 | 317 |
| Cash paid for tax expense | 92,415 | 19,868 | 103,655 |
| 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 Advanced Innovations Inc. ("Global-Tech") (formerly known as Global-Tech Appliances Inc.) is primarily an investment holding company, which was incorporated in the British Virgin Islands on May 2, 1991. Global-Tech and its subsidiaries (hereinafter collectively referred to as the "Company") is primarily a manufacturer of consumer electrical products, including, but not limited to, floor care products and small household appliances, electronic and optical components, and is also involved in the assembly of cellular phones. The Company's manufacturing operation is located in Dongguan, the People's Republic of China (the "PRC"). The Company's products are primarily sold to customers located in the United States of America (the "U.S.A." or the "U.S."), Europe and Mainland China.

Effective December 10, 2008, Global-Tech's common stock was no longer traded on the New York Stock Exchange and commenced trading on the Nasdaq Capital Market ("Nasdaq") under the symbol "GAI". Global-Tech also changed its name to "Global-Tech Advanced Innovations Inc.", effective as of the close of business on December 10, 2008.

To satisfy the minimum bid price requirement of Nasdaq, Global-Tech's Board of Directors authorized an amendment to Global-Tech's Memorandum of Association to effect a 4-for-1 reverse stock split of the issued and outstanding shares of common stock of Global-Tech, effective as of the close of business on December 10, 2008 (the "Effective Date"). Global-Tech also proportionally reduced the authorized number of its common and preferred stock by four to 12,500,000 and 250,000, respectively. These financial statements present common stock, preferred stock and share option information to reflect the above-mentioned reverse stock split on a retroactive basis.

## 2. SUBSIDIARIES

Details of Global-Tech's subsidiaries as of March 31, 2009 were as follows:

| Name | Place of incorporation/ registration | Percentage of equity interest attributable to the Company | 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 |

2. SUBSIDIARIES (continued)

Details of Global-Tech's subsidiaries as of March 31, 2009 were as follows: (continued)

| Name | Place of incorporation/ registration | Percentage of equity interest attributable to the Company | Principal activities |
|---|---|---|---|
| Wing Shing Overseas Limited | British Virgin Islands | 100 | Trading of raw materials and household appliance products |
| GT Investments (BVI) Limited | British Virgin Islands | 100 | Investment holding |
| Consortium Investment (BVI) Limited | British Virgin Islands | 100 | 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 and provision of cellular phone assembly services |
| Global Auto Limited | Hong Kong | 70 | Inactive |
| Global Household Products Limited | Hong Kong | 100 | Trading of raw materials and household appliance products |
| Pentalpha Medical Limited | Hong Kong | 100 | Inactive |
| Pentalpha Hong Kong Limited ("Pentalpha") | Hong Kong | 100 | Inactive |

2. SUBSIDIARIES (continued)

Details of Global-Tech's subsidiaries as of March 31, 2009 were as follows: (continued)

| Name | Place of incorporation/ registration | Percentage of equity interest attributable to the Company | Principal activities |
|---|---|---|---|
| Global-Tech USA, Inc. | State of Delaware, U.S.A. | 100 | Provision of consultation 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 | Inactive |
| Global Lite Array (BVI) Limited | British Virgin Islands | 76.75 | Investment holding |
| Lite Array OLED (BVI) Company Limited | British Virgin Islands | 76.75 | Inactive |
| Lite Array, Inc. | State of Delaware, U.S.A. | 76.75 | Provision of administrative services |

During the fiscal year ended March 31, 2009, the Company disposed of its entire equity interest in Winway Technology Development Limited ("Winway"), a 83.33% owned subsidiary incorporated in Hong Kong, which was inactive at the date of the disposal, to the minority shareholder of Winway, for nil consideration, as further detailed in note 13(b) to the financial statements.

During the fiscal year ended March 31, 2009, the Company dissolved Pentalpha Macau Commercial Offshore Limited, a wholly-owned subsidiary incorporated in Macau, which was inactive at the date of the dissolution. The loss on dissolution amounted to approximately US$1 million which represented the realization of foreign currency translation differences and was charged to the consolidated statement of operations.

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"), a jointly-controlled entity of the Company, 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 each of the period from Lite Array Holdings' fiscal year end date to March 31, 2009, 2008 and 2007.

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

(c) Use of estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the amounts that are reported in these financial statements and accompanying disclosures. The most significant accounting estimates with regard to these consolidated financial statements that require the most significant and subjective judgments include, but are not limited to, valuation of investments and determination of other-than-temporary impairments, useful lives of property, plant and equipment, recoverability of long-lived assets, determination of impairment losses, assessment of market value of inventories and provision for inventory obsolescence, allowance for doubtful accounts, provision for employee benefits, provision for warranty, recognition and measurement of current and deferred income taxes (including income tax benefit (expense)), 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 with original maturities of three months or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Restricted cash

Restricted cash consists of bank deposits, which may only be used to settle pre-arranged general banking facilities.

(f) Investments

Debt and equity investments designated as available-for-sale investments are stated at fair value. Unrealized gains or losses, net of tax, on available-for-sale investments are included 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 the consolidated statement of operations. Gains or losses on sale of investments and amounts reclassified from accumulated other comprehensive income (losses) to earnings are computed based on the specific identification method. 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 maturities are classified as held-to-maturity investments 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 investments 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 decline in the market value of a quoted security for an extended period of time (e.g. 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 unilateral controlling 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". The Company ceases to apply the equity method when its share of the jointly-controlled entities’ losses exceed the carrying value of its investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments (continued)

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 such 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 for impairment with any loss included in the consolidated statement of operations in the period when it is incurred.

(g) Inventories

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

(h) 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% |
| Moulds | 20% - 33% |
| Transportation equipment | 15% - 20% |
| Furniture, fixtures and equipment | 15% |

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

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 statement of operations in the period the item is derecognized.

(i) 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 its intended use.

(j) Impairment of long-lived assets

The Company evaluates long-lived assets, such as property, plant and equipment, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will have impact on 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" or "FAS") 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 flows 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 their fair value.

The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets, and accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less their costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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. To the extent products are required to meet customer specifications, such products are subject to technical and quality tests that are designed to ensure compliance prior to shipment.

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.

Revenue related to the provision of assembly services is recognized upon the completion of such services and delivery of the related product using the same criteria of SAB No. 104 stated above. Historically, revenue from assembly services has been insignificant.

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

In accordance with the relevant tax laws in the PRC, value-added tax 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.

(l) 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$8,438, US$22,572 and US$11,469 for the fiscal years ended March 31, 2009, 2008 and 2007, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 the SG&A expenses line item in the consolidated statement of operations were design and development costs of US$685,126, US$1,075,556 and US$1,125,817 for the fiscal years ended March 31, 2009, 2008 and 2007, respectively.

(n) 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 included 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 face of the consolidated statement of operations. During the fiscal years ended March 31, 2009, 2008 and 2007, shipping and handling costs charged to SG&A were US$802,664, US$1,159,569 and US$855,644, 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, 2009, 2008 and 2007, inbound freight costs charged to cost of goods sold were US$128,325, US$340,938 and US$337,341, respectively. Other related costs are included in manufacturing overheads.

(o) Foreign currencies

The functional currency of Global-Tech is the United States 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 or the average rate of exchange for the period. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect at the balance sheet date (the closing rate) with any foreign exchange gains or losses included in the income or loss for the period.

On consolidation, the financial statements of the subsidiaries are translated into the reporting currency of Global-Tech, that is, the United States dollars, in accordance with SFAS No. 52, "Foreign Currency Translation", at the rate 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 from are credited or charged to the accumulated other comprehensive income (losses).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes", 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 or loss in the period that includes the enactment date.

On April 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109" ("FIN 48"), 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 potential underpayment of income taxes, if and when required, in interest expense and other expenses, respectively.

The Company did not provide for deferred income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries. The Company intends to permanently reinvest foreign subsidiaries' earnings.

(q) Stock compensation expense

Effective from April 1, 2006, the Company has applied the provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), and related interpretations in accounting for its employee share-based payment transactions. 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. Stock issued to an employee as compensation are measured fair value based on the grant date quoted market price. 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 fair value of the award that is vested at that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Stock compensation expense (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 being reached or (ii) the counterparty's performance being 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.

(r) Retirement costs

Retirement cost contributions relating to defined contribution plans are made based on a percentage of the relevant employees' salaries and are included in the consolidated statement of operations as they become payable. The assumptions used in calculating the obligation for retirement cost contributions depend on the local economic environment, interpretations and practices in respect thereof.

(s) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Earnings (loss) per share

Earnings (loss) per share is computed in accordance with SFAS No. 128, "Earnings Per Share". Under the provisions 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.

(u) Accounts and bills receivable, net

Accounts and bills receivable are presented net of an allowance for doubtful accounts, which is an estimate of amounts that may not be collectible. The Company does not charge interest on accounts receivable. The allowance for doubtful accounts is estimated based on historical experience, receivable aging, current economic trends and specific identification of certain receivables that are at the risk of not being paid. The Company reviews the aged analysis of accounts and bills receivable on a regular basis. Whenever it is clear that the amounts are deemed to be uncollectible, receivables are written off against the allowance for doubtful accounts. In light of the recent economic downturn in the global economy, the Company's estimates and judgments with respect to the collectability of its receivables have been subject to greater uncertainty than in more stable periods.

(v) 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 Accounting Principles Board Opinion No. 6, "Status of Accounting Research Bulletins". 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 is charged to retained earnings/accumulated deficit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

(x) 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 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.

(y) 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.

(z) 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$191,459 for the year ended March 31, 2009 (2008: US$235,315 and 2007: nil). The basis and the amount of the warranty accrual will be reviewed and adjusted periodically based on actual experience.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

(i) 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. Under SFAS No. 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. In addition, acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life. SFAS No. 141(R) is effective for the first annual reporting period beginning on or after December 15, 2008. The adoption of SFAS No. 141(R) will change the Company's accounting treatment for business combinations on a prospective basis.

(ii) In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"). 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 fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008. SFAS No. 160 requires the presentation and disclosure requirements for existing minority interests to be applied retrospectively. All other requirements of SFAS No. 160 are to be applied prospectively. The Company is currently assessing the impact, if any, of this new standard will have on its consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

(iii) In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS No. 161") . SFAS No. 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). This standard requires additional quantitative disclosures (provided in tabular form) and qualitative disclosures for derivative instruments. SFAS No. 161 requires entities to provide greater transparency about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect their financial position, results of operations and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company does not expect the adoption of SFAS No. 161 to have any material effect on its consolidated results of operations and financial condition.

(iv) In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No.165"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No.165 also requires entities to disclose the date on which subsequent events were evaluated as well as the reason why that date was selected. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. SFAS No. 165 is effective for interim or annual periods ending after June 15, 2009 and is required to be adopted by the Company in the first quarter of the fiscal year 2010. The Company is currently assessing the impact, if any, of this new standard will have on its consolidated financial statements.

(v) In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140". This statement is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. This statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, and is required to be adopted by the Company in the first quarter of the fiscal year 2011. Earlier application is prohibited. This statement must be applied to transfers of financial assets occurring on or after the effective date. The Company is currently assessing the impact, if any, of this new standard will have on its consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

(vi) In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). SFAS No. 167 changes the approach to determining the primary beneficiary of a variable interest entity ("VIE") and requires an entity to regularly assess whether it is the primary beneficiary of a VIE. SFAS No. 167 is effective for the first annual reporting period that begins after November 15, 2009. The Company is currently evaluating what effects, if any, the adoption of SFAS No. 167 will have on the Company's future results of operations and financial condition.

(vii) In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles – a replacement of SFAS No. 162". The FASB approved the FASB Accounting Standards Codification (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP to be launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is effective for the Company in the second quarter of the fiscal year 2010.

(viii) In April 2009, the FASB issued FASB Staff Position ("FSP") FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4"), which provides additional guidance on measuring the fair value of financial instruments when markets become inactive and quoted prices may reflect distressed transactions. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently in the process of assessing the impact, if any, of the adoption FSP 157-4 will have on its consolidated financial statements.

(ix) In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments". This FSP amends the other-than-temporary impairment accounting guidance for debt securities. This FSP requires that other-than-temporary impairment be separated into the amount of the total impairment related to credit losses and the amount of the total impairment related to all other factors. The amount of the total other-than-temporary impairment related to credit losses is recognized in earnings and the amount related to all other factors is recognized in other comprehensive income (loss). This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company is currently in the process of assessing the impact, if any, of the adoption of this FSP will have on its consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

(x) In November 2008, the FASB ratified EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6"), which clarifies the accounting for certain transactions and contingent consideration, and impairment considerations involving equity method investments. EITF 08-6 is effective for interim and annual reporting periods ending after September 15, 2009, with early adoption prohibited. The Company is currently evaluating the impact, if any, of the adoption of EITF 08-6 will have on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

| | March 31, 2009 US$ | March 31, 2008 US$ |
|---|---|---|
| Cash on hand and at banks | 11,045,550 | 19,218,474 |
| Money market funds | 267,332 | 12,454,111 |
| Total cash and cash equivalents | 11,312,882 | 31,672,585 |

The cash on hand and at banks of the Company denominated in Renminbi (“RMB”) amounted to RMB9,125,514 (equivalent to US$1,335,330) and RMB41,655,715 (equivalent to US$5,939,947) as of March 31, 2009 and 2008, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

5. TIME DEPOSITS

As of March 31, 2009, time deposits of RMB30,144,000 (equivalent to US$4,410,951) were deposited with a creditworthy bank with an original maturity more than three months when acquired. The time deposits bear interest ranging from 1.71% to 3.25% per annum and will mature in May 2009.

6. RESTRICTED CASH

As of March 31, 2009, time deposits of RMB30,000,000 (equivalent to US$4,389,880) (March 31, 2008: nil) were deposited with and pledged to a bank to secure general banking facilities granted to the Company, including a RMB30,000,000 line of credit.

7. 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, 2009 and 2008:

| | Costs | | Net unrealized gains (losses) | | Fair values | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | US$ | US$ | US$ | US$ | US$ | US$ |
| U.S. treasury bills | 15,970,792 | - | 12,498 | - | 15,983,290 | - |
| Listed equity securities | 3,143 | 3,130 | (1,145) | 1,289 | 1,998 | 4,419 |
| | 15,973,935 | 3,130 | 11,353 | 1,289 | 15,985,288 | 4,419 |

The Company's U.S. treasury bills as of March 31, 2009 were held with contractual maturities of less than six months. As of March 31, 2009, certain available-for-sale investments of the Company with investment cost totaling US$2,387 (March 31, 2008: Nil) were in unrealized loss positions of US$2,206 (March 31, 2008: Nil). During the fiscal years ended March 31, 2009, 2008 and 2007, no gain or loss was recognized on the disposal of the Company's available-for-sale 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 for the fiscal years ended March 31, 2009, 2008 and 2007 of US$13,559, US$1,289 and US$194,366, respectively, and gross unrealized losses for the fiscal years ended March 31, 2009, 2008 and 2007 of US$2,206, nil and nil, respectively.

The proceeds from the disposal of available-for-sale investments for the fiscal years ended March 31, 2009, 2008 and 2007 were US$9,979,200, US$14,672,506 and US$37,973,452, respectively.

## 8. ACCOUNTS AND BILLS RECEIVABLE, NET

| | March 31, 2009<br>US$ | March 31, 2008<br>US$ |
|---|---|---|
| Accounts receivable | 12,716,823 | 11,989,577 |
| Less: Allowance for doubtful accounts | ( 65,308) | ( 65,308) |
| Accounts receivable, net | 12,651,515 | 11,924,269 |
| Bills receivable | 5,786,814 | 10,149,384 |
| Accounts and bills receivable, net | 18,438,329 | 22,073,653 |

| | Fiscal years ended | | |
|---|---|---|---|
| | March 31, 2009<br>US$ | March 31, 2008<br>US$ | March 31, 2007<br>US$ |
| Allowance for doubtful accounts: | | | |
| Balance at beginning of fiscal year | 65,308 | 12,171 | 48,715 |
| Additions | - | 81,889 | 3,173 |
| Amount written-off as uncollectible during the fiscal year | - | (28,686) | (39,618) |
| Exchange realignment | - | ( 66) | ( 99) |
| Balance at end of fiscal year | 65,308 | 65,308 | 12,171 |

## 9. INVENTORIES

| | March 31, 2009<br>US$ | March 31, 2008<br>US$ |
|---|---|---|
| Raw materials | 3,544,915 | 7,158,303 |
| Work in progress | 2,292,871 | 2,840,708 |
| Finished goods | 2,610,612 | 2,541,988 |
| | 8,448,398 | 12,540,999 |

For the fiscal years ended March 31, 2009, 2008 and 2007, a write-down of inventories to market of US$688,020, US$1,253,352 and nil, respectively, was recognized in the consolidated statement of operations.

## 10. 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. 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, 2009, 2008 and 2007, 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, 2009, 2008 and 2007 of approximately US$738,697, US$752,232 and US$753,919, respectively, payable to two directors of Global-Tech and certain related companies of which certain of their directors are also the directors of Global-Tech. Included in the aforesaid annual real estate rental expenses were amounts of US$478,211, US$476,933 and US$478,082 paid to two directors of Global-Tech during the fiscal years ended March 31, 2009, 2008 and 2007, respectively, which were included in their remuneration for the respective fiscal years as housing allowances.

(b) Rental income of US$50,812, US$50,302 and US$49,957 was earned for the fiscal years ended March 31, 2009, 2008 and 2007, respectively, from a jointly-controlled entity. The rentals were charged on mutually agreed terms.

(c) Management fee income of US$106,677, US$99,582 and US$111,992 was earned for the fiscal years ended March 31, 2009, 2008 and 2007, respectively, from a jointly-controlled entity, which was charged with reference to the actual costs incurred.

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The amount due from a related party, of which two of the directors of Global-Tech are shareholders, are unsecured, interest-free and have no fixed terms of repayment.

## 11. PROPERTY, PLANT AND EQUIPMENT, NET

| | March 31, 2009 US$ | March 31, 2008 US$ |
|---|---|---|
| Leasehold improvements and buildings | 25,676,292 | 24,983,527 |
| Plant and machinery | 30,819,342 | 27,978,994 |
| Moulds | 10,321,761 | 10,299,740 |
| Transportation equipment | 1,655,049 | 1,540,623 |
| Furniture, fixtures and equipment | 5,939,026 | 5,709,600 |
| Construction in progress | 23,618 | - |
| | 74,435,088 | 70,512,484 |
| Less: Accumulated depreciation | (49,842,640) | (45,241,565) |
| Property, plant and equipment, net | 24,592,448 | 25,270,919 |

(a) During the fiscal years ended March 31, 2009, 2008 and 2007, impairment losses relating to property, plant and equipment of US$200,407, nil and US$17,174, respectively, were recognized in the consolidated statement of operations for certain moulds, plant and machinery, and furniture, fixtures and equipment which are no longer used in the operations of the Company. The impairment losses recognized during the fiscal years ended March 31, 2009, 2008 and 2007 were included in "Cost of goods sold" and "SG&A" on the face of the consolidated statement of operations in the amounts of US$128,911, nil and nil, respectively, and US$71,496, nil and US$17,174, respectively.

(b) As of March 31, 2009 and 2008, buildings with aggregate net book values of approximately US$101,687 and US$104,002, respectively, were situated in Hong Kong and manufacturing facilities with aggregate net book values of approximately US$13,282,856 and US$14,020,515, 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, 2009, the Company has obtained a sizable portion of the property ownership certificates for its buildings (14 out of a total of 34 properties). 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, 2009, 2008 and 2007 were US$3,830,549, US$3,037,662 and US$3,413,658, respectively.

(d) The loss on disposal of property, plant and equipment recognized during the fiscal years ended March 31, 2009, 2008 and 2007 amounted to US$39,645, US$17,386 and US$97,997, respectively.

(e) The amounts of plant and machinery held under operating leases as of March 31, 2009 and 2008 were US$1,163,979 and US$2,822,699, respectively.

## 12. 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 had to pay monthly fees of RMB59,248 (approximately US$8,610) to the local government for the period from January 1, 2008 to December 31, 2008 and RMB193,048 (approximately US$28,053) for January 1, 2009 onwards till August 6, 2043. Up to March 31, 2009, the Company has obtained a sizable portion of its land use rights certificates 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 11 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.

13. DISPOSAL OF SUBSIDIARIES

(a) 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 in Mainland China to exploit the opportunity in the development and manufacturing of organic light emitting diode ("OLED") equipment. Pursuant to the Share Sale and Purchase Agreement, CIBL agreed to sell 5,600,000 common stock 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 nominal value of US$5,600,000 on April 3, 2006. Lite Array Holdings and its subsidiaries are primary engaged in developing OLED process technology and equipment. The disposal was completed on April 3, 2006. 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 15 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 |
| Machinery 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 |
| Consideration | 5,073,532 |
| Satisfied by: | |
| Convertible Note | 5,073,532 |

13. DISPOSAL OF SUBSIDIARIES (continued)

(a) (continued)

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) |

(b) On October 2, 2008, the Company disposed of its entire equity interest in Winway to Winway's minority shareholder for nil consideration.

| | US$ |
|---|---|
| Details of the liabilities disposed of are as follows: | |
| Cash and cash equivalents | 194 |
| Deposits and other assets | 25,879 |
| Accrual for loss contingencies | ( 155,722) |
| Other accrued liabilities | ( 27,948) |
| Net liabilities disposed of | ( 157,597) |
| Gain on disposal of a subsidiary | 157,597 |
| Consideration | - |

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of the above subsidiary for the fiscal year ended March 31, 2009 is as follows:

| | Year ended March 31, 2009 US$ |
|---|---|
| Cash and cash equivalents disposed of and net cash outflow in respect of the disposal of a subsidiary | ( 194) |

## 14. CONVERTIBLE NOTE

| | Amortized cost | |
|---|---|---|
| | March 31, 2009 | March 31, 2008 |
| | US$ | US$ |
| Convertible Note | 5,598,487 | 5,417,403 |

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

The amounts of interest receivable from Anwell in respect of the Convertible Note as of March 31, 2009 and 2008 were US$504,000 and US$336,000, respectively. The Convertible Note, together with the interest receivable from Anwell, was subsequently settled in full by cash in June 2009.

## 15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

During the fiscal year ended March 31, 2007, Consortium Investment (BVI) Limited ("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 in Mainland China to exploit the opportunity in the development and manufacturing of OLED equipment. Subsequent to the completion of the disposal, the Company still retains 2,400,000 common stock 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 (the "jointly-controlled entities"), in which the Company does not have unilateral control, but joint control, under the equity method.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

| Name | Place of incorporation/ registration | Percentage of ownership interest attributable to the Company | Principal activities |
|---|---|---|---|
| Lite Array Holdings Limited | British Virgin Islands | 30 | Investment holding |
| Dongguan Litewell (OLED) Technology Limited* | PRC | 30 | Research and development of OLED equipment |
| Litewell Technology (HK) Limited* | Hong Kong | 30 | Design and trading of OLED production equipment |

* *Wholly-owned subsidiaries of Lite Array Holdings Limited*

The Company has discontinued the recognition of its share of losses of the jointly-controlled entities because the share of losses of the jointly-controlled entities exceeded the Company's interests in the jointly-controlled entities.

The following table illustrates the summarized financial information of the Company's jointly-controlled entities:

**As of or for the years ended December 31***

| | 2008 US$ | 2007 US$ |
|---|---|---|
| Current assets | 289,898 | 211,397 |
| Non-current assets | 1,971,115 | 1,406,158 |
| Current liabilities | (2,509,156) | (1,611,845) |
| Revenue | - | - |
| Operating expenses | (1,418,107) | (1,148,806) |
| Net loss | ( 347,404) | (1,148,241) |

*The financial year end date of Lite Array Holdings Limited

## 16. WARRANTY PROVISION

Included in other accrued liabilities are warranty provisions of US$191,459 and US$235,315 as of March 31, 2009 and 2008, respectively. The Company's warranty activity during the fiscal years ended March 31, 2009 and 2008 is summarized below:

| | Fiscal years ended March 31, 2009 US$ | Fiscal years ended March 31, 2008 US$ |
|---|---|---|
| Balance at beginning of fiscal year | 235,315 | - |
| Additional provision | 47,215 | 235,315 |
| Reversal of unutilized amounts | ( 91,071) | - |
| Balance at end of fiscal year | 191,459 | 235,315 |

## 17. LOANS PAYABLE AND BANKING FACILITIES

The Company's loans payable as at March 31, 2008 represented short-term import loans from a bank under certain 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 without obtaining written consent of the bank.

The Company had banking facilities denominated in Hong Kong dollars of HK$25,000,000 and in RMB of RMB30,000,000 (equivalent to US$7,612,749 in total) as of March 31, 2009, and in Hong Kong dollars of HK$35,000,000 (equivalent to US$4,497,212) as of March 31, 2008. As of March 31, 2009 and 2008, such banking facilities were utilized to the extent of nil and US$1,600,311, respectively.

## 18. SHARE CAPITAL

Holders of common stock of Global-Tech have one vote for each stock 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.

During the fiscal year ended March 31, 2009, the Board of Directors of Global-Tech authorized an amendment to Global-Tech's Memorandum of Association to effect a 4-for-1 reverse stock split (the "Reverse Stock Split") of the issued and outstanding common stock of Global-Tech, effective from December 10, 2008 (the "Effective Date"). During the fiscal year ended March 31, 2009, Global-Tech also proportionally reduced the authorized number of shares of its common and preferred stock to 12,500,000 and 250,000, respectively. On the Effective Date, every four shares of common stock of Global-Tech issued and outstanding as of the Effective Date were consolidated into one share of post-reverse split common stock.

## 19. OTHER INCOME (EXPENSES), NET

| | 2009<br>US$ | 2008<br>US$ | 2007<br>US$ |
|---|---|---|---|
| Foreign exchange gains (losses), net | ( 93,073) | (1,239,501) | 1,588,565 |
| Loss on disposal of property, plant and equipment | ( 39,645) | ( 17,386) | ( 97,997) |
| Rental income from a related party | 50,812 | 50,302 | 49,957 |
| Rental income from other third parties | 151,188 | 153,832 | - |
| Management fee received from a related party | 106,677 | 99,582 | 111,992 |
| Management fee received from other third party | 57,218 | 79,116 | - |
| Accrual for potential tax surcharge | ( 104,806) | (1,042,482) | - |
| Others | 303,622 | 107,193 | 75,820 |
| | 431,993 | (1,809,344) | 1,728,337 |

## 20. 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 subsidiaries 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 dissolved on July 2, 2008.

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 16.5%, 17.5% and 17.5% on their assessable income arising in Hong Kong during the fiscal years ended March 31, 2009, 2008 and 2007, respectively. 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 a coastal open economic zone 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 prior to December 31, 2008. During the 5$^{th}$ Session of the 10$^{th}$ 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 exempted from CIT 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 the Tax Holiday for the calendar year ended December 31, 2007.

During the fiscal year ended 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 revised its accounting estimate for potential income tax exposure relating to its Mainland China subsidiaries and reassessed its tax position. The change in accounting estimate resulted in an accrual of additional tax liabilities of approximately US$660,405, which was included in current income tax expense for the fiscal year ended March 31, 2007.

## 20. INCOME TAXES (continued)

Income tax expense (benefit) consists of:

| | 2009 US$ | 2008 US$ | 2007 US$ |
|---|---|---|---|
| Income tax expense (benefit): | | | |
| Current | 460,345 | 1,650,040 | ( 225,364) |
| Deferred | ( 39,319) | ( 52,983) | 80,967 |
| Total income tax expense (benefit) | 421,026 | 1,597,057 | (144,397) |

The reconciliation of income tax expense (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:

| | 2009 US$ | 2008 US$ | 2007 US$ |
|---|---|---|---|
| Income tax benefit at the Hong Kong statutory income tax rate | ( 894,200) | ( 495,260) | ( 242,936) |
| Foreign rate differential | 26,140 | 298,583 | ( 748,380) |
| Non-taxable other income | ( 558,829) | ( 167,326) | ( 199,112) |
| Non-tax deductible expenses | 1,056,179 | 578,606 | 1,085,630 |
| Under (over) provision of tax in prior periods | 52,596 | 36,657 | ( 307,834) |
| Unrecognized tax benefits | 402,496 | 1,545,922 | 33,347 |
| Changes in valuation allowance | 336,644 | ( 200,125) | 234,888 |
| Total income tax expense (benefit) at the Company's effective income tax rate | 421,026 | 1,597,057 | ( 144,397) |
| Hong Kong statutory income tax rate | 16.5% | 17.5% | 17.5% |
| Effective income tax rate | ( 7.8%) | ( 56.4%) | 10.4% |

## 20. INCOME TAXES (continued)

Deferred tax assets and liabilities as of March 31, 2009 and 2008 comprise the following:

| | March 31, 2009 US$ | March 31, 2008 US$ |
|---|---|---|
| Deferred tax assets: | | |
| Impairment of property, plant and equipment | 138,583 | 135,243 |
| Provision for inventories | 461,237 | 449,290 |
| Provision for warranty | 49,321 | 63,535 |
| Operating losses carried forward | 3,501,967 | 3,217,679 |
| Accruals | 352,465 | 281,369 |
| Gross deferred tax assets | 4,503,573 | 4,147,116 |
| Less: Valuation allowance for deferred tax assets | (4,503,573) | (4,147,116) |
| Net deferred tax assets | - | - |
| Deferred tax liabilities: | | |
| Other temporary differences | - | ( 36,734) |
| Tax over book depreciation of property, plant and equipment | ( 27,344) | ( 29,758) |
| Total deferred tax liabilities | ( 27,344) | ( 66,492) |
| Net deferred tax liabilities | ( 27,344) | ( 66,492) |

| | Fiscal years ended March 31, 2009 US$ | March 31, 2008 US$ | March 31, 2007 US$ |
|---|---|---|---|
| Valuation allowance: | | | |
| Balance at beginning of fiscal year | 4,147,116 | 4,347,650 | 4,059,151 |
| Additions (reversal) | 470,357 | ( 200,125) | 234,888 |
| Effect of change in tax rate | ( 23,551) | - | - |
| Disposal of a subsidiary | ( 110,162) | - | - |
| Exchange realignment | 19,813 | ( 409) | 53,611 |
| Balance at end of fiscal year | 4,503,573 | 4,147,116 | 4,347,650 |

20. INCOME TAXES (continued)

For financial reporting purposes, the Company has established valuation allowances by tax jurisdiction for deferred tax assets, which management believes is more likely than not that the deferred tax assets will not be realized in the foreseeable future. As of March 31, 2009 and 2008, the Company had tax losses carried forward of US$22,906,477 and US$21,022,654, respectively, which included tax losses of US$4,238,322 and US$2,604,007, respectively, that are available indefinitely for offsetting against future taxable income of the companies in which these losses arose. Tax losses of US$18,668,155 and US$18,418,647 as at March 31, 2009 and 2008, respectively, may be carried back for 2 years or carried forward for 20 years from the year the tax losses arose.

*The impact of the adoption of FIN 48*

In July 2006, 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 the 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 adopted the provision of FIN 48 on April 1, 2007, and the Company has made its assessment of its uncertain tax positions (including potential interest and penalties) in accordance with the requirements of FIN 48 based on the technical merits and has determined that there was no material adjustments required to its opening shareholders' equity as a result of the adoption of FIN 48.

A reconciliation of the movements of unrecognized tax benefits under FIN 48 during the fiscal years ended March 31, 2009 and 2008, exclusive of related interest and penalties, is as follows:

| | Fiscal years ended | |
|---|---|---|
| | March 31, 2009<br>US$ | March 31, 2008<br>US$ |
| Balance at beginning of fiscal year | 6,379,032 | 5,024,531 |
| Additions based on tax positions related to the current year | 903,399 | 1,240,381 |
| Additions based on tax positions related to the prior year | - | 471,014 |
| Reduction for tax positions related to prior year | ( 67,889) | ( 377,442) |
| Disposal of a subsidiary | ( 9,863) | - |
| Exchange realignment | 83,948 | 20,548 |
| Balance at end of fiscal year | 7,288,627 | 6,379,032 |

20. INCOME TAXES (continued)

The Company's unrecognized tax benefits under FIN 48 are presented in the consolidated balance sheets within income tax payable.

If the unrecognized tax benefits under FIN 48 as of March 31, 2009 were realized in a future period, it would result in a tax benefit of US$5,373,238 (March 31, 2008: US$4,886,794) and a reduction of the Company's effective tax rate.

For all the years presented and in accordance with FIN 48, the Company classified interest and potential penalties relating to any underpayment of income taxes and uncertain tax positions, if and when required, as interest expense and other expenses, respectively. For the fiscal years ended March 31, 2009 and 2008, the Company recognized in its consolidated statement of operations total interest and potential penalties relating to certain uncertain tax positions amounting to US$279,880 and US$929,922, respectively. As of March 31, 2009 and 2008, the Company had accrued interest and potential penalties relating to certain uncertain tax positions amounting to US$1,836,860 and US$1,556,980, respectively.

One of the Company's wholly-owned subsidiaries is currently under examination by the Hong Kong tax authority. The tax period open for examination by the tax authority includes the fiscal years ended March 31, 2003 through 2009. While it is difficult to predict the timing and settlement of the final outcome of the examination, the Company does not anticipate a significant change in its unrecognized tax benefits within the next 12 months; however, actual developments could differ from those currently expected.

Based on existing tax regulations in the Company's various operating jurisdictions, tax years 1999-2009 remain open to possible tax examination by relevant tax authorities.

The Company has not provided for possible income taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Calculation of the unrecognized deferred tax liability for temporary differences related to these earnings is not practicable.

21. BASIC AND DILUTED LOSS PER SHARE (all numbers have been adjusted to reflect the Reverse Stock Split)

Basic and diluted loss per share of common stock of the Company for the fiscal years ended March 31, 2009, 2008 and 2007 is computed in accordance with SFAS No. 128, "Earnings Per Share", by dividing the net loss for each fiscal year attributable to common stockholders by the weighted average number of shares of common stock outstanding during that fiscal year.

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

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | US$ | US$ | US$ |
| Numerator for basic and diluted loss per share: | | | |
| Loss attributable to common stockholders | (5,840,422) | (4,427,113) | (1,166,701) |
| | Number | Number | Number |
| Denominator for basic and diluted loss per share: | | | |
| Weighted average number of shares of common stock | 3,051,216 | 3,056,448 | 3,055,902 |
| | US$ | US$ | US$ |
| Basic and diluted loss per share of common stock | (1.91) | (1.45) | (0.38) |

356,448, 412,535 and 416,406 stock options of Global-Tech were excluded from the computation of diluted loss per share for the fiscal years ended March 31, 2009, 2008 and 2007, respectively, because their inclusion would have been anti-dilutive.

22. COMMITMENTS

(a) Capital commitments

As of March 31, 2009 and 2008, the Company had capital commitments contracted but not provided for of US$18,524 and US$1,273,325, respectively, for the purchase of property, plant and equipment.

22. COMMITMENTS (continued)

(b) Operating lease commitments

In addition to the land use rights described in note 12 to the financial statements, the Company has entered into various operating lease arrangements for parking lots, motor vehicles, equipment, lands and office premises. The Company recorded rental expenses, excluding the land use rights payments described in note 12 to the financial statements, for the fiscal years ended March 31, 2009, 2008 and 2007 of US$424,194, US$397,820 and US$410,754, respectively, and recorded lease rental income of US$202,000, US$204,134 and US$49,957 for the fiscal years ended March 31, 2009, 2008 and 2007, respectively. Future minimum lease payments under non-cancelable operating leases as of March 31, 2009 and 2008 were as follows:

| | March 31, 2009<br>US$ | March 31, 2008<br>US$ |
|---|---|---|
| Payable: | | |
| Within one year | 691,281 | 290,644 |
| Over one year but not exceeding two years | 629,348 | 462,700 |
| Over two years but not exceeding three years | 463,280 | 462,700 |
| Over three years but not exceeding four years | 471,839 | 462,700 |
| Over four years but not exceeding five years | 480,871 | 462,700 |
| Over five years | 9,406,307 | 10,021,316 |
| | 12,142,926 | 12,162,760 |

23. CONTINGENCIES

(a) Global-Tech and Pentalpha Medical Limited (formerly known as Pentalpha Enterprises Limited ("Pentalpha Enterprises")), a subsidiary of Global-Tech, were involved in certain 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 (the "District Court") granted a final judgment on February 11, 2004 to add pre-judgment interest to the Jury's award, and awarded Sunbeam approximately US$3.4 million and Pentalpha Enterprises US$6.6 million.

23. CONTINGENCIES (continued)

(a) (continued)

After an appeal, by an amended judgment dated December 12, 2005, the District Court awarded Pentalpha Enterprises pre-judgment 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 an 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 pre-judgment interest 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 pre-judgment 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 United States Court of Appeals ("Court of Appeals") to challenge the portion of the judgment in favor of Sunbeam that extends the pre-judgment interest until December 12, 2005.

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, as further detailed in note 23(b) below. On July 13, 2007, Sunbeam wire transferred an amount of approximately US$5.5 million to an escrow account of SEB's attorney. SEB's attorney is holding that money in trust in an escrow account pursuant to the Court Order for Pentalpha Enterprises. Sunbeam's payment of the funds into escrow eliminated its obligation to pay post-judgment interest on the amount that it paid into escrow.

On December 10, 2008, the Court of Appeals reversed the judgment of the District Court and remanded to the District Court the elimination of the award of pre-judgment interest to Sunbeam after February 11, 2004. On or about February 5, 2009, Sunbeam and Pentalpha Enterprises reached an agreement with respect to the satisfaction of the Fourth Amended Final Judgment entered on January 28, 2009. On February 10, 2009, accordingly, Sunbeam wire transferred approximately US$279,000 to the escrow account of SEB's attorney provided a satisfaction of judgment to Sunbeam. The matter has now concluded.

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 the fiscal year 2006. Pentalpha Enterprises recognized pre-judgment interest and gains of approximately US$279,000, US$220,000 and US$818,000 in its consolidated statement of operations for the fiscal years 2009, 2008 and 2007, respectively.

23. CONTINGENCIES (continued)

(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, a then 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, pre-judgment 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' fees of approximately US$0.9 million, and pre-judgment interest at the prime interest rate. SEB has submitted a claim for approximately US$1.8 million in pre-judgment interest and a supplemental claim for approximately US$0.25 million in attorneys' fees and expenses. Pentalpha Enterprises 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 pre-judgment interest.

By motion filed on November 24, 2007, Pentalpha Enterprises moved for reconsideration of the award of enhanced damages and attorneys' fees, including any supplemental attorneys' fees, in the district court's October 9, 2007 opinion based upon a decision of the Court of Appeals 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.

On October 2, 2008, the district court granted the motion of Pentalpha Enterprises to vacate the award of enhanced damages and entered into an amended judgment in favor of SEB for enhanced damages of US$2.65 million and corresponding pre-judgment interests of approximately US$2.23 million. Pentalpha Enterprises filed a notice of appeal on October 30, 2008. SEB cross-appealed from the denial of an award of enhanced damages. Oral argument is set for October 6, 2009. The outcome of the appeal cannot be determined with certainty.

23. CONTINGENCIES (continued)

(b) (continued)

Pentalpha Enterprises thereafter sought to amend the order of attachment to release amounts beyond those necessary to provide security pending appeal. By an order dated November 25, 2008, the district court granted that motion and released all amounts in excess of US$5.1 million. SEB moved in the Court of Appeals to stay that order of the district court. The Court of Appeals denied SEB's motion by an order dated March 4, 2009.

On January 18, 2008, Pentalpha Enterprises filed a request with the United States Patent and Trademark Office ("PTO") to re-examine the SEB patent that is the subject of this action. On July 3, 2009, the PTO issued an office action rejecting all claims of the SEB patent on the grounds that they were obvious. SEB has 60 days from that office action to respond to it. On July 16, 2009, Pentalpha Enterprises filed a motion in the Court of Appeals to stay the appeal pending the re-examination. The Court of Appeals denied the motion for a stay.

Based on the understanding of the Company, on August 12, 2009, the PTO conducted an interview of SEB and on August 14, 2009, the PTO issued a report of the meeting stating that an agreement had been reached that the PTO would provide favorable treatment to the claims of the patent provided that SEB filed a satisfactory memorandum with the PTO. SEB filed that response and the PTO has not yet taken any further action in the reexamination proceeding.

In accordance with SFAS No. 5, "Accounting for Contingencies", the Company accrued for loss contingencies in connection with this case of approximately US$5.16 million as of March 31, 2009, including a corresponding post-judgment interest charge of US$219,950 in the consolidated statement of operations for the fiscal year ended March 31, 2009.

(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 (the "High Court") against a subsidiary of the Company for a claim 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 television panels for a total purchase price of US$4,620,000. However, the LCD television panels which were paid for in the initial shipment were determined to be unacceptable to the subsidiary. 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.

23. CONTINGENCIES (continued)

(c) (continued)

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, and accrued corresponding interest of approximately US$0.12 million through March 31, 2009, representing its best estimate of the likely loss that it will incur.

(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.

On May 30, 2008, Wing Shing Products and Simatelex entered into an agreement to settle this action. Pursuant to the settlement agreement, Simatelex agreed (i) to pay Wing Shing Products US$1.8 million; (ii) to consent to the entry of a final judgment and a 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. Simatelex; and (iv) to exchange for release. Since the execution of that settlement agreement, Simatelex paid Wing Shing Products US$1.8 million in June 2008. On June 8, 2008, a final judgment was passed by the Court and the Company recognized US$1.8 million in the consolidated statement of operations as other operating income in the fiscal year ended March 31, 2009.

(e) As of March 31, 2009, the Company recognized US$5,373,238 of liabilities for unrecognized tax benefits and, in addition, US$1,836,860 of related 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 certain subsidiaries of the Company. The final outcome of these tax uncertainties is dependent upon various matters including tax examinations, legal proceedings, certain authority proceedings, changes in regulatory tax laws and interpretations 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, 2009, the Company classified US$5,373,238 of its liabilities for unrecognized tax benefits and US$1,836,860 of interest and penalties as current liabilities.

## 24. 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 independently administered funds.

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 each of the qualified employee contribute the lower of 5% of the employees' basic salary and HK$1,000 (approximately US$129), subject to a cap of a monthly basic salary of HK$20,000 (approximately US$2,581). Qualified employees are entitled to 100% of the Company's contributions together with accrued returns irrespective of their length of services with the Company, but the benefits are required by law to be preserved until the retirement age of 65.

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 each of the eligible employee contribute 5% of the employees' basic salary.

The costs of these schemes recognized during the fiscal years ended March 31, 2009, 2008 and 2007 were US$78,745, US$94,906 and US$117,787, 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 benefit schemes to fund the benefits for certain of 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 existing factory employees. The aggregate amounts incurred by the Company for all such benefits were US$814,728, US$911,985 and US$579,157 during the fiscal years ended March 31, 2009, 2008 and 2007, respectively.

## 25. 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/services. These segments are each managed separately because they manufacture and distribute products with different production processes or are engaged in the provision of assembly services. The Company's "Home Appliances" segment historically has been the core business of the Company and primarily involves the manufacturing of 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 ("CCMs") 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. 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, 2009, 2008 and 2007.

25. 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, 2009** | | | | | |
| Revenues from external customers | 50,805,661 | 34,466,153 | 2,115,558 | - | 87,387,372 |
| Interest income | - | - | - | 705,922 | 705,922 |
| Interest expense | ( 1,511) | ( 52) | - | ( 170,873) | ( 172,436) |
| Depreciation and amortization | ( 2,395,692) | ( 513,402) | ( 827,168) | ( 170,572) | ( 3,906,834) |
| Segment profit (loss) | ( 121,515) | ( 546,720) | ( 2,715,824) | ( 2,456,363)# | ( 5,840,422) |
| Total assets | 17,710,936 | 15,522,132 | 6,603,598 | 64,077,239 | 103,913,905 |

# Including a gain on disposal of a subsidiary of US$157,597 and a loss on dissolution of a subsidiary of US$1,028,875.

| | 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 |

25. SEGMENT INFORMATION (continued)

**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.

(b) Net sales by geographic area based on the location of customers are as follows:

| | 2009<br>US$ | 2008<br>US$ | 2007<br>US$ |
|---|---|---|---|
| Australia | 572,326 | 633,155 | 496,166 |
| Europe | 5,616,397 | 6,258,491 | 7,728,412 |
| North America | 39,333,008 | 53,644,116 | 34,689,223 |
| Asia | 41,216,419 | 44,911,592 | 16,812,264 |
| Other regions | 649,222 | 95,735 | 564,729 |
| | 87,387,372 | 105,543,089 | 60,290,794 |

(c) Net sales by product/service type

| | 2009<br>US$ | 2008<br>US$ | 2007<br>US$ |
|---|---|---|---|
| Floor care products | 46,603,666 | 59,694,981 | 39,905,755 |
| Kitchen appliances | 1,176,585 | 2,274,175 | 5,394,259 |
| CCMs | 33,340,887 | 38,902,642 | 12,232,428 |
| Cellular phone assembly services | 1,802,771 | - | - |
| Others | 4,463,463 | 4,671,291 | 2,758,352 |
| | 87,387,372 | 105,543,089 | 60,290,794 |

25. SEGMENT INFORMATION (continued)

(d) Long-lived assets*

| | March 31, 2009 US$ | March 31, 2008 US$ |
|---|---|---|
| Hong Kong | 453,365 | 582,706 |
| Mainland China | 27,212,188 | 27,362,390 |
| | 27,665,553 | 27,945,096 |

* 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 March 31, 2009, 2008 and 2007 amounting to US$200,407, nil and US$17,174, respectively. The impairment losses amounted to US$42,379 (fiscal years ended March 31, 2008 and 2007: Nil) and US$158,028 (fiscal years ended March 31, 2008: Nil and March 31, 2007: US$17,174) for the fiscal year ended March 31, 2009 are attributable to the "Home appliances" and "Others" segments, respectively.

(f) Major customers

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

| | 2009 US$ | 2008 US$ | 2007 US$ |
|---|---|---|---|
| Electrolux S.A. and subsidiaries ("Electrolux") | 41,760,515 | 45,651,213 | 20,180,930 |
| Techtronic Industries Company Limited, including Royal Appliance Manufacturing Company Limited ("Royal") | 7,423,103 | 16,184,868 | 19,540,674 |

During the fiscal years ended March 31, 2009, 2008 and 2007, 47.8%, 43.3% and 33.5%, respectively, of the Company's total net sales were made to Electrolux, which is an unrelated customer. As of March 31, 2009, 2008 and 2007, 36.7%, 22.7% and 30.7%, respectively, of the Company's total accounts and bills receivable were from Electrolux.

## 25. SEGMENT INFORMATION (continued)

During the fiscal years ended March 31, 2009, 2008 and 2007, 8.5%, 15.3% and 32.4%, respectively, of the Company's total net sales were made to Royal, which is an unrelated customer. As of March 31, 2009, 2008 and 2007, 9.8%, 16.0%and 25.9%, respectively, of the Company’s total accounts and bills receivable were from Royal.

The Company is a contract manufacturer of floor care products that are marketed by Royal and Electrolux under their respective brand names.

## 26. 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, time deposits, restricted cash, amounts due from a jointly-controlled entity and a related party, a convertible note, interest receivable, available-for-sale investments, financial assets included in deposits and other assets, and accounts and bills receivable.

Substantially all of the Company's cash and cash equivalents, time deposits, restricted cash, amounts due from a jointly-controlled entity and a related party, convertible note, interest receivable, and available-for-sale investments were financial assets that 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.

*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 56.3%, 58.6% and 65.9% of consolidated net sales for the fiscal years ended March 31, 2009, 2008 and 2007, 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.

26. CONCENTRATION OF RISKS (continued)

*Current vulnerability due to certain concentrations*

The Company's operations are mainly conducted in Hong Kong and Mainland China with majority sales to the U.S. and Asia. As a result, the Company's businesses, financial condition, results of operations and cash flows may be influenced by the political, economic and legal environments in the U.S., Hong Kong and Mainland China, and by the general state of the U.S., 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 PRC government has been pursuing economic reform policies for more than 20 years, no assurance can be given that the PRC 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 PRC 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 PRC 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 generally requires submitting a payment application form together with suppliers' invoices, shipping documents, signed contracts and/or other documents, as appropriate.

A significant portion of the Company's sales are made to the U.S. and the Company is responsible for ensuring that its products are safe and satisfy all of the requirements of the consumer products safety commission (“CPSC”) in the U.S. This may also apply to OEM products manufactured by the Group to customer specifications. In the event of a recall required by the CPSC, the customers may require the Group to provide replacement conforming units at our cost, which could have a material adverse effect on its business, quality reputation and results of operations.

## 27. FINANCIAL INSTRUMENTS

The Company's financial instruments that are subject to credit risks are limited to its cash and cash equivalents, time deposits, restricted cash, available-for-sale investments, accounts and bills receivable, financial assets included in deposits and other assets, 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 are included in the initial measurement of all financial assets and liabilities. Subsequent to initial recognition, assets and liabilities are either valued at cost, amortized cost using the effective interest rate method or 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, 2009 and 2008. There were no material unrecognized financial assets and liabilities as of March 31, 2009 and 2008.

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | US$ | US$ | US$ | US$ |
| Current financial assets: | | | | |
| Cash and cash equivalents | 11,312,882 | 31,672,585 | 11,312,882 | 31,672,585 |
| Time deposits | 4,410,951 | - | 4,410,951 | - |
| Restricted cash | 4,389,880 | - | 4,389,880 | - |
| Available-for-sale investments | 15,985,288 | 4,419 | 15,985,288 | 4,419 |
| Accounts and bills receivable, net | 18,438,329 | 22,073,653 | 18,438,329 | 22,073,653 |
| Financial assets included in deposits and other assets | 759,383 | 769,128 | 759,383 | 769,128 |
| Amount due from a related party | 33,011 | 28,746 | 33,011 | 28,746 |
| Amount due from a jointly-controlled entity | 69,523 | 57,873 | 69,523 | 57,873 |
| Convertible note | 5,598,487 | - | 5,600,000 | - |
| Interest receivable | 504,000 | - | 504,000 | - |
| | 61,501,734 | 54,606,404 | 61,503,247 | 54,606,404 |
| Non-current financial assets: | | | | |
| Convertible note | - | 5,417,403 | - | 5,835,007 |
| Interest receivable | - | 336,000 | - | 336,000 |
| Total financial assets | 61,501,734 | 60,359,807 | 61,503,247 | 60,777,411 |

27. FINANCIAL INSTRUMENTS (continued)

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | US$ | US$ | US$ | US$ |
| Current financial liabilities: | | | | |
| Accounts payable | 7,962,971 | 8,935,551 | 7,962,971 | 8,935,551 |
| Loans payable | - | 1,600,311 | - | 1,600,311 |
| Total financial liabilities | 7,962,971 | 10,535,862 | 7,962,971 | 10,535,862 |

The carrying amounts of the Company's cash and cash equivalents, restricted cash, time deposits, accounts and bills receivable, financial assets included in deposits and other assets, amounts due from a jointly-controlled entity and a related party, convertible note, interest receivable, accounts payable and loans payable approximate to their fair values because of their short maturities. The available-for-sale investments are stated at quoted market price. For the fiscal year ended March 31, 2008, the estimated fair value of the convertible note is based on the discounted value of future cash flows using U.S. Treasury yields adjusted for other risks such as credit risk and country risk premium for bonds traded on The Singapore Exchange Securities Trading Limited for similar type of instruments.

The Company's cash and cash equivalents, restricted cash, and time deposits 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 Company's accounts and bills receivable 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 or other credit enhancement for any of its financial assets.

If the counterparties to the above financial assets fail to perform completely under the terms of their contract/arrangement, the maximum loss, based on the gross fair value of the financial instruments, due to this credit risk would be US$61,503,247 and US$60,777,411 as at March 31, 2009 and 2008, respectively.

## 28. FAIR VALUE MEASUREMENTS

Effective April 1, 2008, the Company adopted SFAS No. 157 and in October 2008, the Company adopted FSP 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active", except as it applies to the non-financial assets and non-financial liabilities subject to FSP 157-2, "Effective Date of FASB Statement No. 157". SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability, such as inherent risk, transfer restrictions and risk of non-performance. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.
Level 3 – Unobservable inputs which are supported by little or no market activity.

SFAS 157 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company’s financial assets carried at fair value on a recurring basis are detailed in the table below. The fair values of such financial assets are measured in accordance with SFAS No. 157 using Level 1 inputs, including quoted market prices.

## 28. FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of March 31, 2009 are summarized below:

| | Fair Value Measurements at March 31, 2009<br>Quoted prices in active markets for identical assets<br>Level 1<br>US$ |
|---|---|
| **Assets** | |
| Available-for-sale investments: | |
| U.S. dollar treasury bills | 15,983,290 |
| Listed equity securities | 1,998 |
| Total financial assets measured at fair value | 15,985,288 |

## 29. STOCK COMPENSATION (all numbers have been adjusted to reflect the Reverse Stock Split)

In September 1997, the Board of Directors of Global-Tech 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 of Global-Tech for which options may be granted under the 1997 Plan is 400,000 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 of Global-Tech 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 of Global-Tech for which options may be granted under the 2005 Plan is 450,000 shares.

29. STOCK COMPENSATION (all numbers have been adjusted to reflect the Reverse Stock Split) (continued)

The 1997 Plan and the 2005 Plan (the "Plans") are administered by the Board of Directors of Global-Tech or a committee appointed by the Board of Directors of Global-Tech, who determines the terms of options, including the exercise price, the number of stock 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 ISO must not be less than 110% of the fair market value of the stock on the date of grant. The term of each option granted pursuant to the Plans may be established by the Board of Directors of Global-Tech, or a committee of the Board of Directors of Global-Tech, in its sole discretion; provided, however, that the maximum term of each ISO granted pursuant to both the 1997 Plan and the 2005 Plan is 10 years. With respect to any ISO 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 stock or common stock held in the treasury of the Company.

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.

Under the 1997 Plan and the 2005 Plan, which expire in 10 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 options 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.

For the fiscal year ended March 31, 2007, Global-Tech granted options to purchase 750 shares, 66,500 shares and 8,750 shares to three employees, five directors and a consultant, respectively, with an exercise price of US$13.20 per share under the 2005 Plan. During the fiscal year ended March 31, 2007, 31,550 options with exercise prices ranging from US$15.60 to US$33.28 per share were forfeited upon resignation of the relevant participants.

29. STOCK COMPENSATION (all numbers have been adjusted to reflect the Reverse Stock Split) (continued)

For the fiscal year ended March 31, 2008, no new options were granted. An aggregate of 4,987 options with exercise prices ranging from US$13.20 to US$30.56 per share were forfeited upon resignation of the relevant participants. 8,175 options with an exercise price of US$25.00 per share expired, and an aggregate of 625 options with an exercise price of US$15.60 per share were exercised.

For the fiscal year ended March 31, 2009, no new options were granted. An aggregate of 9,324 options with exercise prices ranging from US$13.20 to US$30.56 per share were forfeited upon resignation of the relevant participants. 56,930 options with an exercise price of US$25.00 per share expired.

The total compensation expense recognized in the SG&A line item in the consolidated statement of operations for the fiscal years ended March 31, 2009, 2008 and 2007 amounted to US$41,861, US$56,487 and US$1,123,577, respectively.

Changes in outstanding options under both the 1997 Plan and the 2005 Plan during the fiscal years ended March 31, 2009, 2008 and 2007 are as follows:

| | **2009** | | | | |
|---|---|---|---|---|---|
| | Number of options | Range of exercise price US$ (per share) | Weighted average exercise price US$ (per share) | Weighted average remaining contractual term (years) | Aggregate intrinsic value US$ |
| Outstanding, at beginning of fiscal year | 488,202 | 13.20-30.56 | 19.40 | 5.82 | - |
| Granted | - | - | - | | |
| Cancelled | - | - | - | | |
| Expired | ( 56,930) | 25.00 | 25.00 | | |
| Exercised | - | - | - | | |
| Forfeited | ( 9,324) | 13.20-30.56 | 22.42 | | |
| Outstanding, at end of fiscal year | 421,948 | 13.20-30.56 | 18.59 | 5.55 | - |
| Vested and expected to be vested at March 31, 2009 | 421,948 | 13.20-30.56 | 18.59 | 5.55 | - |
| Exercisable, at end of fiscal year | 356,448 | 13.20-30.40 | 16.39 | 5.70 | - |

29. STOCK COMPENSATION (all numbers have been adjusted to reflect the Reverse Stock Split) (continued)

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Number of options | Range of exercise price US$ (per share) | Weighted average exercise price US$ (per share) | Weighted average remaining contractual term (years) | Aggregate intrinsic value US$ |
| Outstanding, at beginning of fiscal year | 501,989 | 13.20-30.56 | 19.52 | 6.71 | - |
| Granted | - | - | - | | |
| Cancelled | - | - | - | | |
| Expired | ( 8,175) | 25.00 | 25.00 | | |
| Exercised | ( 625) | 15.60 | 15.60 | | 750 |
| Forfeited | ( 4,987) | 13.20-30.56 | 21.88 | | |
| Outstanding, at end of fiscal year | 488,202 | 13.20-30.56 | 19.40 | 5.82 | - |
| Vested and expected to be vested at March 31, 2008 | 488,202 | 13.20-30.56 | 19.40 | 5.82 | - |
| Exercisable, at end of fiscal year | 412,535 | 13.20-30.40 | 17.92 | 5.80 | - |

| | 2007 | | | | |
|---|---|---|---|---|---|
| | Number of options | Range of exercise price US$ (per share) | Weighted average exercise price US$ (per share) | Weighted average remaining contractual term (years) | Aggregate intrinsic value US$ |
| Outstanding, at beginning of fiscal year | 457,539 | 15.60-33.28 | 21.00 | 7.3 | - |
| Granted | 76,000 | 13.20 | 13.20 | | |
| Cancelled | - | - | - | | |
| Expired | - | - | - | | |
| Exercised | - | - | - | | |
| Forfeited | ( 31,550) | 15.60-33.28 | 25.76 | | |
| Outstanding, at end of fiscal year | 501,989 | 13.20-30.56 | 19.52 | 6.71 | - |
| Vested and expected to be vested at March 31, 2007 | 501,989 | 13.20-30.56 | 19.52 | 6.71 | - |
| Exercisable, at end of fiscal year | 416,406 | 13.20-30.40 | 17.76 | 6.63 | - |

29. STOCK COMPENSATION (all numbers have been adjusted to reflect the Reverse Stock Split) (continued)

In January 1999, the Board of Directors of Global-Tech adopted an employee stock purchase plan. The plan was approved by the stockholders at the annual meeting of stockholders in March 1999. The total number of common stock which may be granted under the plan is 45,000 common stock. Stock grants may be awarded under the plan to the employees, including officers and directors, our non-employee directors and consultants in consideration for their service rendered to the Group.

During the fiscal year ended March 31, 2007, Global-Tech granted an aggregate of 3,750 shares of common stock of Global-Tech to an employee with an effective grant date of November 6, 2006. 750 shares of such common stock will vest and be issued on the first anniversary of the date of the stock grant and 750 shares of such common stock will vest and be issued on the second, third, fourth, and fifth anniversaries of the date of the stock grant, respectively.

Changes in the stock grants during the fiscal years ended March 31, 2009, 2008 and 2007 are as follows:

| | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Stock | Weighted average grant-date fair value US$ | Stock | Weighted average grant-date fair value US$ | Stock | Weighted average grant-date fair value US$ |
| Non-vested, at beginning of fiscal year | 3,000 | 41,520 | 3,750 | 51,900 | - | - |
| Granted | - | - | - | - | 3,750 | 51,900 |
| Vested | (750) | 10,380 | (750) | 10,380 | - | - |
| Non-vested, at end of fiscal year | 2,250 | 31,140 | 3,000 | 41,520 | 3,750 | 51,900 |

The total fair value of the 750 shares of common stock vested during the fiscal years ended March 31, 2009 and 2008 is US$5,528 and US$9,300, respectively.

29. STOCK COMPENSATION (all numbers have been adjusted to reflect the Reverse Stock Split) (continued)

Further details relating to the options granted under the 1997 Plan and the 2005 Plan that are outstanding as of March 31, 2009 are as follows:

| Options outstanding as of March 31, 2009 | | | | Options exercisable as of March 31, 2009 | |
|---|---|---|---|---|---|
| Number of options | Range of exercise price US$ (per share) | Weighted average remaining contractual life (years) | Weighted average exercise price US$ (per share) | Number of options | Weighted average exercise price US$ (per share) |
| 250,751 | 13.20-15.60 | 7.29 | 14.87 | 250,751 | 14.87 |
| 102,697 | 19.00-25.00 | 1.87 | 19.67 | 102,697 | 19.67 |
| 68,500 | 30.00-30.56 | 4.71 | 30.55 | 3,000 | 30.40 |
| 421,948 | 13.20-30.56 | 5.55 | 18.58 | 356,448 | 16.39 |

As of March 31, 2009 and 2008, there was an unrecognized share-based compensation cost of US$5,907 and US$49,737, respectively, relating to options granted under the 1997 Plan and the 2005 Plan and stock granted to an employee under the 1999 Employee Stock Purchase Plan. The unrecognized compensation cost for options granted and stock granted are expected to be recognized over a weighted-average vesting period of two years and five years, respectively. 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 year ended March 31, 2007 was estimated on the date of grant using the Black-Scholes option pricing model and which amounted to 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:

| | 2009* | 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 options were granted during the fiscal years ended March 31, 2009 and 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.

30. CONDENSED FINANCIAL INFORMATION OF GLOBAL-TECH

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 RMB278,292,816 (approximately US$40,722,401) as of March 31, 2009.

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

**Balance sheets**

| | March 31, 2009<br>US$ | March 31, 2008<br>US$ |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 4,816,379 | 14,837,564 |
| Available-for-sale investments | 15,983,290 | - |
| Prepaid expenses | 37,618 | 36,274 |
| Deposits and other assets | 31,050 | 33,198 |
| Total current assets | 20,868,337 | 14,907,036 |
| Interests in subsidiaries | 53,577,139 | 63,566,252 |
| Total assets | 74,445,476 | 78,473,288 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Other accrued liabilities | 244,463 | 230,450 |
| Total liabilities | 244,463 | 230,450 |
| Shareholders' equity: | | |
| Common stock, par value US$0.04 per share; 12,500,000 shares authorized; 3,227,064 shares issued and outstanding as of March 31, 2009 and 2008 | 129,083 | 129,083 |
| Preferred stock, par value US$0.04 per share; 250,000 shares authorized; no shares issued | - | - |
| Additional paid-in capital | 84,266,412 | 84,222,582 |
| Accumulated deficit | ( 10,554,563) | ( 4,714,141) |
| Accumulated other comprehensive income | 5,021,266 | 3,098,761 |
| Less: Treasury stock, at cost, 189,387 and 169,787 shares as of March 31, 2009 and 2008 | ( 4,661,185) | ( 4,493,447) |
| Total shareholders' equity | 74,201,013 | 78,242,838 |
| Total liabilities and shareholders' equity | 74,445,476 | 78,473,288 |

30. CONDENSED FINANCIAL INFORMATION OF GLOBAL-TECH (continued)

**Statements of operations**

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | US$ | US$ | US$ |
| Net sales | - | - | - |
| Cost of goods sold | - | - | - |
| Gross profit | - | - | - |
| Selling, general and administrative expenses | ( 919,168) | ( 739,742) | (1,978,827) |
| Operating loss | ( 919,168) | ( 739,742) | (1,978,827) |
| Interest income, net | 194,161 | 1,175,121 | 2,683,384 |
| Equity in losses of subsidiaries | (6,021,844) | (6,458,631) | (1,775,469) |
| Other income (expenses), net | 906,429 | 1,596,139 | ( 95,789) |
| Net loss | (5,840,422) | (4,427,113) | (1,166,701) |

30. CONDENSED FINANCIAL INFORMATION OF GLOBAL-TECH (continued)

**Statements of cash flows**

| | Fiscal years ended March 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | US$ | US$ | US$ |
| Cash flows from operating activities: | | | |
| Net loss | ( 5,840,422) | ( 4,427,113) | ( 1,166,701) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Stock compensation expense | 41,861 | 56,487 | 1,123,577 |
| Shares issued to an employee | 1,969 | 1,969 | - |
| Equity in losses of subsidiaries | 6,021,844 | 6,458,631 | 1,775,469 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses | ( 1,344) | ( 327) | 9,195 |
| Deposits and other assets | 2,148 | 228,061 | ( 157,760) |
| Other accrued liabilities | 14,013 | ( 121,796) | 25,005 |
| Net cash provided by operating activities | 240,069 | 2,195,912 | 1,608,785 |
| Cash flows from investing activities: | | | |
| Purchases of available-for-sale investments | (25,949,992) | - | ( 34,071,106) |
| Proceeds from disposal of available-for-sale investments | 9,979,200 | 14,672,506 | 37,973,452 |
| Repayment of amounts due from (advances to) subsidiaries, net | 5,877,276 | ( 21,942,192) | 570,366 |
| Capital injection into subsidiaries | - | ( 1,858,699) | - |
| Net cash provided by (used in) investing activities | ( 10,093,516) | ( 9,128,385) | 4,472,712 |
| Cash flows from financing activities: | | | |
| Proceeds from stock options exercised | - | 9,750 | - |
| Purchases of treasury stock | ( 167,738) | - | - |
| Net cash provided by (used in) financing activities | ( 167,738) | 9,750 | - |
| Net increase (decrease) in cash and cash equivalents | ( 10,021,185) | ( 6,922,723) | 6,081,497 |
| Cash and cash equivalents at beginning of fiscal year | 14,837,564 | 21,760,287 | 15,678,790 |
| Cash and cash equivalents at end of fiscal year | 4,816,379 | 14,837,564 | 21,760,287 |

30. CONDENSED FINANCIAL INFORMATION OF GLOBAL-TECH (continued)

(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 Accounting Principles Board 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" on the balance sheets and share of the subsidiaries' income and losses is presented 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 provide continuing financial support to those subsidiaries.

# 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

**2009 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

November 11, 2009 at 10:30 A.M.
Aberdeen Marina Club
8 Shum Wan Road
Aberdeen, Hong Kong

**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 Advanced Innovations 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.