GLOBAL-TECH ADVANCED INNOVATIONS INC. AND SUBSIDIARIES

ANNUAL REPORT

MARCH 31, 2010

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.

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LETTER TO OUR SHAREHOLDERS

I am pleased to report that the Company has returned to profitability in fiscal 2010 after incurring losses in prior years primarily due to the implementation of our plans to transform our business from an exporter of small household appliances to a more diversified marketer of products and services for the Chinese (PRC) market.

Net sales for the fiscal year ended March 31, 2010 were $101.9 million, an increase of 16.6%, when compared to $87.4 million in fiscal 2009. Net profit for fiscal 2010 was $3.5 million, or $1.14 per share, compared to a loss of $5.8 million, or $1.91 per share, in fiscal 2009.

Fiscal 2010 was only the second time that the Company's net sales exceeded $100 million since fiscal 2001. The diversification programs implemented by the Company to de-emphasize its export sales efforts and redirect such efforts to expand its sales in the Asian markets are now producing notable results. In fiscal 2010, net sales in Asia were $48.4 million, or 47.5% of net sales, compared to $2.2 million, or 5.3% of net sales, just five years ago. Our export sales in fiscal 2010 were $53.3, or 52.5% of net sales, compared to $39.7 million, or 94.7% of net sales in fiscal 2005.

While operating in the midst of a major worldwide recession during our fiscal 2010 period, our customers exercised understandable prudence in placing orders. However, many resumed more normalized purchasing patterns towards the end of our fiscal year in connection with improving consumer confidence and the assumption that the worldwide economic recovery would continue. In North America and Europe, however, the recovery has slowed, but growth remained relatively stable in the PRC.

Our home appliance business, our original core business, is now limited to an original equipment manufacturer for one of the leading floor care companies in the world. However, as net sales and profit margins continue to decline in this segment, we remain cautious about its potential contribution to the Company's operating results in the near future. As labor and other material costs continue to increase, we are rapidly approaching a point where an evaluation of our profit margins will be necessary and a decision will be made as to whether to continue operating in this business segment.

Our electronic components business consists primarily of selling CMOS (complementary metal oxide semiconductor) camera modules (CCMs) for telecommunication companies located in the PRC, both for domestic consumption and export to developing countries. Our sales of CCMs in fiscal 2010 increased approximately 13% from the prior fiscal year but, more importantly, the sale of commodity (VGA) units accounted for only 68% of total net sales as compared to 86% in fiscal 2009, while the sale of higher-pixel units increased significantly. Additionally, 5% of our total net sales consisted of higher-pixel units introduced this year. For CCMs, we expect similar unit sales for next year, but with a better mix of products. Our goal is to limit the sale of commodity units to less than 50% of our CCM business. For our components business, we continue to assess opportunities to produce other electronic components for the telecommunication manufacturers in the PRC and evaluate other applications for CMOS camera modules, including security and medical instruments.

Part of the improvement in our financial results was due to the success of our electronic manufacturing services (EMS) business, which was started less than two years ago. We responded to the demand of some of our PRC-based CCM customers to provide other manufacturing services, such as printed circuit board assembly (by utilizing surface mount technology) and assembly of finished products. Revenues for our EMS business grew to $9 million, with the business achieving profitability in its first full year of operation. While it is a capital intensive business, we have decided to increase our capital expenditures to double our EMS capacity in fiscal 2011. We expect our EMS business to grow in fiscal 2011 as our customers continue to increase their reliance on outsourcing some of their manufacturing.

Despite challenging economic conditions, during fiscal 2010, we have made significant progress in our ongoing efforts to transform our business and return to profitability. We continue to explore other opportunities in security products, medical instruments, and other communication-related projects with an emphasis on the expansion of sales in the Asian markets.

Again, I deeply appreciate the hard work of our employees and the patience and understanding of our shareholders.

JOHN C.K. SHAM
President and Chief Executive Officer

October 13, 2010

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GLOBAL-TECH ADVANCED INNOVATIONS INC.
AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2010 AND 2009

AND FOR THE FISCAL YEARS ENDED MARCH 31,
2010, 2009 AND 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Global-Tech Advanced Innovations Inc.

We have audited the accompanying consolidated balance sheet of Global-Tech Advanced Innovations Inc. (the "Company") as of March 31, 2010 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year ended March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global-Tech Advanced Innovations Inc. at March 31, 2010, and the results of its operations and its cash flows for the year ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Limited

BDO Limited
Hong Kong, August 30, 2010

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 sheet of Global-Tech Advanced Innovations Inc. and its subsidiaries as of March 31, 2009, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the two 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 the consolidated results of their operations and their cash flows for each of the two 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.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2010 and 2009

	Notes	2010	2009
		US$	US$
ASSETS			
Current assets:			
Cash and cash equivalents	4	24,808,596	11,312,882
Time deposits	5	—	4,410,951
Restricted cash	6	4,397,602	4,389,880
Available-for-sale investments	7	15,989,430	15,985,288
Accounts and bills receivable, net	8	23,244,365	18,438,329
Inventories	9	9,409,801	8,448,398
Prepaid expenses		277,938	264,147
Deposits and other assets		1,914,871	1,492,514
Legal claims receivable	22	5,090,153	5,100,246
Amount due from a related party	10	28,818	33,011
Amount due from a jointly-controlled entity	10	21,631	69,523
Convertible note	13	—	5,598,487
Interest receivable		—	504,000
Total current assets		85,183,205	76,047,656
Interests in jointly-controlled entities	14	—	—
Property, plant and equipment, net	11	22,708,372	24,592,448
Land use rights, net	12	3,033,152	3,073,105
Deposits paid for purchase of property, plant and equipment		57,716	200,696
Deferred tax assets	19	104,381	—
Total assets		111,086,826	103,913,905
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		5,131,151	7,962,971
Bills payable	16	1,503,595	—
Discounted bills		3,363,543	—
Customer deposits		965,282	716,670
Accrued salaries, allowances and other employee benefits		3,777,337	3,194,216
Accrual for loss contingencies	22	5,966,820	6,076,640
Other accrued liabilities	23	6,896,715	6,233,965
Income tax payable		5,708,526	5,501,086
Total current liabilities		33,312,969	29,685,548
Deferred tax liabilities	19	38,112	27,344
Total liabilities		33,351,081	29,712,892
Commitments and contingencies	21, 22		
Shareholders' equity:			
Common stock, par value US$0.04 per share; 12,500,000 shares authorized; 3,228,564 and 3,227,064 shares issued and outstanding as of March 31, 2010 and 2009	17	129,143	129,083
Preferred stock, par value US$0.04 per share; 250,000 shares authorized; no shares issued		—	—
Additional paid-in capital		84,280,027	84,266,412
Accumulated deficit		(7,088,232)	(10,554,563)
Accumulated other comprehensive income		5,078,128	5,021,266
Less: Treasury stock, at cost, 189,587 and 189,387 shares as of March 31, 2010 and 2009		(4,663,321)	(4,661,185)
Total shareholders' equity		77,735,745	74,201,013
Total liabilities and shareholders' equity		111,086,826	103,913,905

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED MARCH 31, 2010, 2009 AND 2008

	Notes	**2010**	**2009**	**2008**
		US$	**US$**	**US$**
Net sales		101,929,489	87,387,372	105,543,089
Cost of goods sold		(84,888,868)	(81,500,506)	(94,975,910)
Gross profit		17,040,621	5,886,866	10,567,179
Selling, general and administrative expenses		(14,096,417)	(13,074,795)	(12,802,546)
Other operating income (loss), net		179,565	1,674,332	(142,844)
Operating profit (loss)		3,123,769	(5,513,597)	(2,378,211)
Interest income, net		276,778	533,486	1,703,682
Other income (expenses), net	18	454,919	431,993	(1,809,344)
Loss on dissolution of a subsidiary		—	(1,028,875)	—
Gain on disposal of subsidiaries		—	157,597	—
Share of losses of jointly-controlled entities		—	—	(346,183)
Profit (loss) before income taxes		3,855,466	(5,419,396)	(2,830,056)
Income tax expense	19	(389,135)	(421,026)	(1,597,057)
Net income (loss)		3,466,331	(5,840,422)	(4,427,113)
Basic and diluted earnings (loss) per share of common stock	20	1.14	(1.91)	(1.45)
		Number	Number	Number
Basic and diluted weighted average number of shares of common stock	20	3,037,969	3,051,216	3,056,448
		US$	US$	US$
Rental expense paid to related parties (included in selling, general and administrative expenses)	10(a)	769,540	738,697	752,232
Rental income earned from a related party (included in other income (expenses), net)	10(b)	6,393	50,812	50,302
Management income earned from a related party (included in other income (expenses), net)	10(c)	9,313	106,677	99,582

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED MARCH 31, 2010, 2009 AND 2008

	Number of shares		Amounts					
	Common stock	Treasury stock	Common stock	Additional paid-in capital	Accum-ulated deficits	Treasury stock	Accumulated other comprehensive income (losses)	Total share-holders' equity
			US$	US$	US$	US$	US$	US$
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

GLOBAL-TECH ADVANCED INNOVATIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED MARCH 31, 2010, 2009 AND 2008

	Number of shares		Amounts					
	Common stock	**Treasury stock**	**Common stock**	**Additional paid-in capital**	**Accum-ulated deficits**	**Treasury stock**	**Accumulated other comprehensive income (losses)**	**Total share-holders' equity**
			US$	**US$**	**US$**	**US$**	**US$**	**US$**
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
Net income for the year	—	—	—	—	3,466,331	—	—	3,466,331
Other comprehensive income:								
• unrealized gain on available-for-sale investments, net of income tax of nil	—	—	—	—	—	—	953	953
• release of unrealized loss on available-for-sale investments, net of income tax of nil, upon disposal	—	—	—	—	—	—	12,488	12,488
• foreign currency translation adjustments	—	—	—	—	—	—	43,421	43,421
Total net comprehensive income								3,523,193
Shares repurchased as treasury stock	—	(200)	—	—	—	(2,136)	—	(2,136)
Stock compensation expenses	—	—	—	1,969	—	—	—	1,969
Shares issued to an employee	1,500	—	60	11,646	—	—	—	11,706
Balance as of March 31, 2010	3,228,564	(189,587)	129,143	84,280,027	(7,088,232)	(4,663,321)	5,078,128	77,735,745

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MARCH 31, 2010, 2009 AND 2008

	2010	2009	2008
	US$	**US$**	**US$**
Cash flows from operating activities:			
Net income (loss)	3,466,331	(5,840,422)	(4,427,113)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization	117,550	76,285	63,056
Depreciation	3,661,352	3,830,549	3,037,662
Accretion of a convertible note discount	—	(181,084)	(175,698)
Gain on disposal of subsidiaries	—	(157,597)	—
Loss on dissolution of a subsidiary	—	1,028,875	—
Share of losses of jointly-controlled entities	—	—	346,183
Loss on disposal of property, plant and equipment	292,208	39,645	17,386
Impairment of property, plant and equipment	4,786	200,407	—
Allowance for doubtful accounts	56,336	—	81,889
Stock compensation expense	1,969	41,861	56,487
Shares issued to an employee	11,706	1,969	1,969
Deferred tax benefit	(93,553)	(39,319)	(52,983)
Foreign exchange	40,815	(168,485)	388,188
Changes in operating assets and liabilities:			
Accounts and bills receivable, net	(4,844,657)	3,915,827	(11,766,542)
Prepaid expenses	(13,638)	(48,200)	(28,529)
Deposits and other assets	(422,108)	221,121	253,366
Legal claims receivable	10,089	522,312	(219,552)
Amount due from a related party	—	(40,777)	(28,746)
Amount due from a jointly-controlled entity	47,892	24,862	16,791
Inventories	(947,813)	4,342,192	(2,582,189)
Interest receivable	—	(168,000)	(168,000)
Accounts payable	(1,335,020)	(297,899)	2,341,377
Discounted bills	3,361,966	—	—
Accrued salaries, allowances and other employee benefits	703,679	362,868	610,266
Other accrued liabilities	774,995	(1,133,707)	1,675,475
Accrual for loss contingencies	(99,776)	317,074	347,828
Amount due to a related party	51,843	—	(4,664)
Income tax payable	195,982	641,302	2,573,623
Net cash provided by (used in) operating activities	5,042,934	7,491,659	(7,642,470)

continued/…

GLOBAL-TECH ADVANCED INNOVATIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE FISCAL YEARS ENDED MARCH 31, 2010, 2009 AND 2008

	2010	2009	2008
	US$	**US$**	**US$**
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment	11,350	—	772
Deposits paid for purchase of property, plant and equipment	(12,508)	(200,696)	(615,460)
Purchases of property, plant and equipment	(1,963,301)	(2,174,170)	(3,689,744)
Increase in land use rights	(72,213)	(403,243)	(47,273)
Decrease (increase) in time deposits	4,380,440	(4,380,440)	67,688
Proceeds from disposal of available-for-sale investments	31,962,236	9,979,200	14,672,506
Purchases of available-for-sale investments	(31,977,976)	(25,949,992)	—
Proceeds from maturity of convertible note and related interest receivable	6,102,487	—	—
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	—	(194)	—
Net cash provided by (used in) investing activities	8,430,515	(23,129,535)	10,388,489
Cash flows from financing activities:			
Increase in restricted cash	(19,044)	(4,374,697)	—
Proceeds from stock options exercised	—	—	9,750
Purchases of treasury stock	(2,136)	(167,738)	—
Net cash provided by (used in) financing activities	(21,180)	(4,542,435)	9,750
Effect of foreign exchange rate changes on cash	43,445	(179,392)	(908,098)
Net increase (decrease) in cash and cash equivalents	13,495,714	(20,359,703)	1,847,671
Cash and cash equivalents at beginning of fiscal year	11,312,882	31,672,585	29,824,914
Cash and cash equivalents at end of fiscal year	24,808,596	11,312,882	31,672,585
Supplemental disclosure information:			
Cash paid for interest	69,665	1,563	24,158
Cash paid for taxes	222,438	92,415	19,868
Supplemental schedule of non-cash activities:			
Non-cash acquisition of property, plant and equipment	—	—	1,600,311

The accompanying notes are an integral part of the consoloidated 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 the PRC.

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, 2010 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
Wing Shing Overseas Limited	British Virgin Islands	100	Inactive

2. SUBSIDIARIES (continued)

Details of Global-Tech's subsidiaries as of March 31, 2010 were as follows: (continued)

Name	**Place of incorporation/ registration**	**Percentage of equity interest attributable to the Company**	**Principal activities**
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
Dongguan Microview Medical Technology Company Limited	PRC	100	Research and development
Global Auto Limited	Hong Kong	70	Inactive
Global Household Products Limited	Hong Kong	100	Trading of household appliance products
Pentalpha Medical Limited	Hong Kong	100	Inactive
Pentalpha Hong Kong Limited ("Pentalpha")	Hong Kong	100	Inactive
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	Inactive
Wing Shing Products (BVI) Company Limited	British Virgin Islands	100	Inactive
Global Lite Array (BVI) Limited	British Virgin Islands	76.75	Investment holding

Name	Place of incorporation/ registration	Percentage of equity interest attributable to the Company	Principal activities
Lite Array (OLED) BVI Company Limited	British Virgin Islands	76.75	Inactive
Lite Array, Inc.	State of Delaware, U.S.A.	76.75	Inactive

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, 2010, 2009 and 2008, respectively.

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. Changes in facts and circumstances may result in revised 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments (continued)

Prior to April 1, 2009, declines in the fair value of held-to-maturity and available-for-sale securities below their amortized cost, that were deemed to be other-than-temporary, were all reported in investment gains (losses), net. Effective April 1, 2009, the Company adopted new accounting guidance for impairments of debt securities that are deemed to be other-than-temporarily. Factors considered in evaluating potential impairment include, but are not limited to, the current fair value as compared to cost or amortized cost of the security, as appropriate, the length of time the investment has been below cost or amortized cost and by how much, our intent to sell a security and whether it is more-likely-than-not we will be required to sell the security before the recovery of our amortized cost basis, and specific credit issues related to the issuer and current economic conditions. Under the new impairment model, the credit component of an other-than-temporary impairment of a debt security is reported in investment gains (losses), net and the noncredit component is reported in other comprehensive income (loss). In addition, other-than-temporary declines in beneficial interests purchased or retained in a securitization transaction which are classified as available-for-sale debt securities are recognized if there has been an adverse change in the cash flows as of the end of the reporting period. Interest and dividends, as well as amortization of premiums and accretion of discounts, are reported in interest and dividend income. Amortization of premiums and accretion of discounts on debt securities are recognized over the remaining maturity under the interest method.

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.

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% - 20%
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”, which is now codified as FASB ASC 360 “Property, Plant and Equipment” effective for interim and annual periods ending after September 15, 2009. 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 asset 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.

(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.

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

Revenue related to the provision of tooling income is recognized upon the completion of such services and delivery of the related product using the same criteria of SAB No. 104 stated above.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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$8,445, US$8,438 and US$22,572 for the fiscal years ended March 31, 2010, 2009 and 2008, respectively.

(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$1,562,772, US$685,126 and US$1,075,556 for the fiscal years ended March 31, 2010, 2009 and 2008, 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" which is now codified as FASB ASC 605 "Revenue Recognition", 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, 2010, 2009 and 2008, shipping and handling costs charged to SG&A were US$1,028,782, US$802,664 and US$1,159,569, 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, 2010, 2009 and 2008, inbound freight costs charged to cost of goods sold were US$171,686, US$128,325 and US$340,938, respectively. Other related costs are included in manufacturing overheads.

(o) Foreign currencies

All transactions in currencies other than functional currencies during the year are translated at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statement of operations.

The functional currency of Global-Tech is the U.S. Dollar ("US$"). The financial statements of all subsidiaries are translated in accordance with SFAS No. 52, "Foregin Currency Translation" which is now codified as FASB ASC 830 "Foreign Currency Matters" effective for the interim and annual periods ending after September 15, 2009. All assets and liabilities are translated at the rates of exchange ruling at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income.

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" which is now codified as FASB ASC 740 "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.

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109" ("FIN48"), which stipulates the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides accounting guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is now included in and codified as FASB ASC 740 "Income Taxes" effective for interim and annual periods ending after September 15, 2009.

The Company records 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

The Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)") which is now codified as FASB ASC 718 "Compensation-Stock Compensation", 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 at 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.

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" which is now codified as FASB ASC 505 "Equity". 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(t) Earnings (loss) per share

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.

(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.

(w) Comprehensive income (losses)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Segment reporting

The Company follows SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which is now codified as FASB ASC 280 "Segment Reporting".

The Company operates and manages its business in four 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$180,151 for the year ended March 31, 2010 (2009: US$191,459 and 2008: US$235,315). The basis and the amount of the warranty accrual are reviewed and adjusted periodically based on actual experience.

(aa) Government grants

Government grants are recognized when received and the stipulated activities are achieved. Such amounts are included in other income of the consolidated statement of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

(i) In August 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-05, “Fair Value Measurements and Disclosures, Measuring Liabilities at Fair Value” (“ASU 2009-05”) which is now codified as FASB ASC 820 “Fair Value Measurements and Disclosures”. ASU 2009-05 provides amendments to FASB ASC 820-10, “Fair Value Measurements and Disclosures – Overall” (“FASB ASC 820-10”), for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using a valuation technique that uses a quoted price of the identical liability when traded as an asset, a quoted price for similar liabilities or similar liabilities when traded as an asset, or another valuation technique that is consistent with the principles of ASC 820. This ASU is effective for the first period (including interim periods) beginning after issuance. The Company does not expect the adoption of ASC 2009-05 will have a material impact on the Company’s financial position, results of operations and cash flows.

(ii) In April 2010, the FASB issued ASU No. 2010-13, Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades which is now codified as FASB ASC 718 “Compensation—Stock Compensation”. This Update provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The update is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect the adoption of ASC 2010-13 will have a material impact on the Company’s financial position, results of operations and cash flows.

4. CASH AND CASH EQUIVALENTS

	March 31, 2010	March 31, 2009
	US$	**US$**
Cash on hand and at banks	23,023,987	11,045,550
Money market funds	1,784,609	267,332
Total cash and cash equivalents	24,808,596	11,312,882

The cash on hand and at banks of the Company denominated in Renminbi ("RMB") amounted to RMB115,208,031 (equivalent to US$16,887,968) and RMB9,125,514 (equivalent to US$1,335,330) as of March 31, 2010 and 2009, 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 matured in May 2009.

6. RESTRICTED CASH

As of March 31, 2010 and 2009, time deposits of RMB30,000,000 (equivalent to US$4,397,602 and US$4,389,880 for March 31, 2010 and 2009, respectively) 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, 2010 and 2009:

	Cost		Net unrealized gains (losses)		Fair values	
	2010 US$	2009 US$	2010 US$	2009 US$	2010 US$	2009 US$
U.S. treasury bills	15,986,532	15,970,792	(1,892)	12,498	15,984,640	15,983,290
Listed equity securities	3,138	3,143	1,652	(1,145)	4,790	1,998
	15,989,670	15,973,935	(240)	11,353	15,989,430	15,985,288

The Company's U.S. treasury bills as of March 31, 2010 were held with contractual maturities of less than six months. As of March 31, 2010, certain available-for-sale investments of the Company with investment cost totaling US$15,988,741 (March 31, 2009: US$2,387) were in unrealized loss positions of US$3,770 (March 31, 2009: US$2,206). During the fiscal years ended March 31, 2010, 2009 and 2008, no significant 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 (losses) consisted of gross unrealized gains as at the fiscal years ended March 31, 2010, 2009 and 2008 of US$3,530, US$13,559 and US$1,289, respectively, and gross unrealized losses as at the fiscal years ended March 31, 2010, 2009 and 2008 of US$3,770, US$2,206 and nil, respectively.

The proceeds from the disposal of available-for-sale investments for the fiscal years ended March 31, 2010, 2009 and 2008 were US$31,962,236, US$9,979,200 and US$14,672,506, respectively.

8. ACCOUNTS AND BILLS RECEIVABLE, NET

	March 31, 2010	March 31, 2009
	US$	US$
Accounts receivable	16,666,133	12,716,823
Less: Allowance for doubtful accounts	(115,024)	(65,308)
Accounts receivable, net	16,551,109	12,651,515
Bills receivable	6,693,256	5,786,814
Accounts and bills receivable, net	23,244,365	18,438,329

	Fiscal years ended		
	March 31, 2010	March 31, 2009	March 31, 2008
	US$	US$	US$
Allowance for doubtful accounts:			
Balance at beginning of fiscal year	65,308	65,308	12,171
Additions	56,336	—	81,889
Amount written-off as uncollectible during the fiscal year	(6,362)	—	(28,686)
Exchange realignment	(258)	—	(66)
Balance at end of fiscal year	115,024	65,308	65,308

9. INVENTORIES

	March 31, 2010	March 31, 2009
	US$	US$
Raw materials	4,197,027	3,544,915
Work in progress	2,466,948	2,292,871
Finished goods	2,745,826	2,610,612
	9,409,801	8,448,398

For the fiscal years ended March 31, 2010, 2009 and 2008, a write-down of inventories to fair market value of US$398,474, US$688,020 and US$1,253,352, 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, 2010, 2009 and 2008, 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, 2010, 2009 and 2008 of approximately US$769,540, US$738,697 and US$752,232, 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$479,808, US$478,211 and US$476,933 paid to two directors of Global-Tech during the fiscal years ended March 31, 2010, 2009 and 2008, respectively, which were included in their remuneration for the respective fiscal years as housing allowances.

(b) Rental income of US$6,393, US$50,812 and US$50,302 was earned for the fiscal years ended March 31, 2010, 2009 and 2008, respectively, from a jointly-controlled entity. The rentals were charged on mutually agreed terms.

(c) Management fee income of US$9,313, US$106,677 and US$99,582 was earned for the fiscal years ended March 31, 2010, 2009 and 2008, 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 is shareholders, is unsecured, interest-free and has no fixed terms of repayment.

11. PROPERTY, PLANT AND EQUIPMENT, NET

	March 31, 2010	**March 31, 2009**
	US$	**US$**
Leasehold improvements and buildings	25,964,631	25,676,292
Plant and machinery	31,941,407	30,819,342
Moulds	10,370,297	10,321,761
Transportation equipment	1,567,084	1,655,049
Furniture, fixtures and equipment	3,921,354	5,939,026
Construction in progress	—	23,618
	73,764,773	74,435,088
Less: Accumulated depreciation	(51,056,401)	(49,842,640)
Property, plant and equipment, net	22,708,372	24,592,448

11. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

(a) During the fiscal years ended March 31, 2010, 2009 and 2008, impairment losses relating to property, plant and equipment of US$4,786, US$200,407 and nil, 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, 2010, 2009 and 2008 were included in "Cost of goods sold" and "SG&A" on the face of the consolidated statement of operations in the amounts of nil, US$128,911 and nil, respectively, and nil, US$71,496 and nil, respectively. For the fiscal year ended March 31, 2010, the impairment losses was included in "Other income (expense), net" of US$4,786 and none for the fiscal year ended March 31, 2009 and 2008.

(b) As of March 31, 2010 and 2009, buildings with aggregate net book values of approximately US$98,773 and US$101,687, respectively, were situated in Hong Kong and manufacturing facilities with aggregate net book values of approximately US$12,388,321 and US$13,282,856, 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, 2010, the Company has obtained a sizable portion of the property ownership certificates for its buildings (25 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 are obtained.

(c) The amounts of depreciation charged for the fiscal years ended March 31, 2010, 2009 and 2008 were US$ 3,661,352, US$3,830,549 and US$3,037,662 respectively.

(d) The loss on disposal of property, plant and equipment recognized during the fiscal years ended March 31, 2010, 2009 and 2008 amounted to US$292,208, US$39,645 and US$17,386, respectively.

(e) The amounts of plant and machinery held under operating leases as of March 31, 2010 and 2009 were nil and US$1,163,979, 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$8,680) to the local government for the period from January 1, 2008 to December 31, 2008 and RMB193,048 (approximately US$28,285) from January 1, 2009 onwards until August 6, 2043. Up to March 31, 2010, 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. Subsequent to the balance sheet date, the Company obtained an additional land use right certificate covering 52,500 square meters, bringing the aggregate total area to 183,900 square meters. 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. CONVERTIBLE NOTE

	Amortized cost	
	March 31, 2010	**March 31, 2009**
	US$	**US$**
Convertible Note	—	5,598,487

The Convertible Note “Note” was issued by Anwell in exchange for a 70% equity interest in Lite Array Holdings. The nominal value of the Convertible Note was US$5,600,000. The Convertible Note carried interest at a rate of 3% per annum, which was payable in full on April 3, 2009 (the “Payment Date”). The Note’s conversion features were never actuated during the three year term.

The amounts of interest receivable from Anwell in respect of the Convertible Note as of March 31, 2010 and 2009 were nil and US$504,000, respectively. The Convertible Note together with the interest receivable from Anwell was settled in full by cash in June 2009.

14. 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.

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 and trading of OLED products and corresponding materials

* *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*

	2009	**2008**
	US$	**US$**
Current assets	476,390	289,898
Non-current assets	1,835,513	1,971,115
Current liabilities	(3,436,181)	(2,509,156)
Revenue	—	—
Operating expenses	(1,234,121)	(1,418,107)
Net loss	(883,519)	(347,404)

* The financial year end date of Lite Array Holdings Limited

15. WARRANTY PROVISION

Included in other accrued liabilities are warranty provisions of US$180,151 and US$191,459 as of March 31, 2010 and 2009, respectively. The Company's warranty activity during the fiscal years ended March 31, 2010 and 2009 is summarized below:

	Fiscal years ended	
	March 31, 2010	**March 31, 2009**
	US$	**US$**
Balance at beginning of fiscal year	191,459	235,315
Additional provision	15,250	47,215
Reversal of unutilized amounts	(26,558)	(91,071)
Balance at end of fiscal year	180,151	191,459

16. BILLS PAYABLE AND BANKING FACILITIES

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 has deposit pledged to another bank as a security for other general facilities granted.

The Company had banking facilities denominated in Hong Kong dollars of HK$2,400,000 and in RMB of RMB50,000,000 (equivalent to US$7,638,483 in total) as of March 31, 2010, and 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. As of March 31, 2010 and 2009, banking facilities of RMB10,257,371 (equivalent to US$1,503,595) and nil were utilized respectively.

17. 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.

18. OTHER INCOME (EXPENSES), NET

	2010	**2009**	**2008**
	US$	**US$**	**US$**
Foreign exchange losses, net	(144,313)	(93,073)	(1,239,501)
Loss on disposal of property, plant and equipment	(292,208)	(39,645)	(17,386)
Rental income from a related party	6,393	50,812	50,302
Rental income from other third parties	—	151,188	153,832
Management fee received from a related party	9,313	106,677	99,582
Management fee received from other third party	—	57,218	79,116
Reversal (accrual) for potential tax surcharge	9,946	(104,806)	(1,042,482)
Government grants	687,190	58,127	—
Others	178,598	245,495	107,193
	454,919	431,993	(1,809,344)

19. INCOME TAXES

Global-Tech and its subsidiaries are subject to income taxes on an entity basis on the taxable income arising in or derived from the respective tax jurisdictions in which they are domiciled or deemed to operate. Global-Tech and its investment holding 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%, 16.5% and 17.5% on their assessable income arising in Hong Kong during the fiscal years ended March 31, 2010, 2009 and 2008, 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 5th Session of the 10th National People's Congress of the PRC, which was concluded on March 16, 2007, a new PRC Corporate Income Tax Law (the "New CIT Law") was approved and became effective on January 1, 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. DGLAD is entitled to a tax concession period ("Tax Holiday"), whereby it is 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.

Income tax expense consists of:

	2010	2009	2008
	US$	**US$**	**US$**
Income tax expense (benefit):			
Current	482,688	460,345	1,650,040
Deferred	(93,553)	(39,319)	(52,983)
Total income tax expense	389,135	421,026	1,597,057

19. INCOME TAXES (continued)

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

	2010	2009	2008
	US$	US$	US$
Income tax expenses (benefit) at the Hong Kong statutory income tax rate	636,152	(894,200)	(495,260)
Foreign rate differential	138,201	26,140	298,583
Non-taxable other income	(521,405)	(558,829)	(167,326)
Non-tax deductible expenses	22,140	1,056,179	578,606
Under provision of tax in prior periods	149,679	52,596	36,657
Unrecognized (utilized) tax benefits	(97,381)	402,496	1,545,922
Changes in valuation allowance	61,749	336,644	(200,125)
Total income tax expense at the Company's effective income tax rate	389,135	421,026	1,597,057
Hong Kong statutory income tax rate	16.5%	16.5%	17.5%
Effective income tax rate	10.1%	(7.8)%	(56.4)%

Deferred tax assets and liabilities as of March 31, 2010 and 2009 comprise the following:

	March 31, 2010	March 31, 2009
	US$	US$
Deferred tax assets:		
Impairment of property, plant and equipment	134,144	138,583
Provision for inventories	462,509	461,237
Provision for warranty	46,580	49,321
Operating losses carried forward	3,484,191	3,501,967
Accruals and other liabilities	530,644	352,465
Gross deferred tax assets	4,658,068	4,503,573
Less: Valuation allowance for deferred tax assets	(4,553,687)	(4,503,573)
Net deferred tax assets	104,381	—
Deferred tax liabilities:		
Other temporary differences	—	—
Tax over book depreciation of property, plant and equipment	(38,112)	(27,344)
Total deferred tax liabilities	(38,112)	(27,344)

19. INCOME TAXES (continued)

	Fiscal years ended		
	March 31, 2010	**March 31, 2009**	**March 31, 2008**
	US$	**US$**	**US$**
Valuation allowance:			
Balance at beginning of fiscal year	4,503,573	4,147,116	4,347,650
Additions (reversal)	61,749	470,357	(200,125)
Effect of change in tax rate	—	(23,551)	—
Disposal of a subsidiary	—	(110,162)	—
Exchange realignment	(11,635)	19,813	(409)
Balance at end of fiscal year	4,553,687	4,503,573	4,147,116

For financial reporting purposes, the Company has established valuation allowances by tax jurisdiction for deferred tax assets, which management believes are more likely than not to be realized in the foreseeable future. As of March 31, 2010 and 2009, the Company had tax losses carried forward of US$22,623,542 and US$22,906,477, respectively, which included tax losses of US$3,992,542 and US$4,238,322 respectively that are available indefinitely for offsetting against future taxable income of the companies in which these losses arose. Tax losses of US$18,631,000 and US$18,668,155 as at March 31, 2010 and 2009, 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”), as now included in and codified as FASB ASC 740 “Income Taxes”, 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.

A reconciliation of the movements of unrecognized tax benefits under FIN 48 during the fiscal years ended March 31, 2010 and 2009, exclusive of related interest and penalties, is as follows:

	Fiscal years ended	
	March 31, 2010	**March 31, 2009**
	US$	**US$**
Balance at beginning of fiscal year	7,288,627	6,379,032
Additions based on tax positions related to the current year	954,221	903,399
Reduction for tax positions related to prior year	(953,704)	(67,889)
Disposal of a subsidiary	—	(9,863)
Exchange realignment	11,947	83,948
Balance at end of fiscal year	7,301,091	7,288,627

19. INCOME TAXES (continued)

As of March 31, 2010 and 2009, the Company's unrecognized tax benefits under FIN 48 of US$5,287,804 and US$5,373,238, respectively, are presented in the consolidated balance sheets within income tax payable. The remaining balance of US$2,013,287 and US$1,915,389 as of March 31, 2010 and 2009, respectively, are set off with the corresponding tax losses carried forward.

If the unrecognized tax benefits under FIN 48 as of March 31, 2010 were realized in a future period, it would result in a tax benefit of US$5,287,804 (March 31, 2009: US$5,373,238) 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, 2010, the Company reversed US$73,643 of interest and potential penalties relating to certain uncertain tax positions in its consolidated statement of operations. 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, 2010 and 2009, the Company had accrued interest and potential penalties relating to certain uncertain tax positions amounting to US$1,767,030 and US$1,836,860, 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 2010. 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 1999-2010 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.

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

Basic and diluted earnings (loss) per share of common stock of the Company for the fiscal years ended March 31, 2010, 2009 and 2008 is computed in accordance with SFAS No. 128, "Earnings Per Share" which is now codified as FASB ASC 260 "Earnings Per Share" by dividing the net earnings (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 earnings (loss) per share:

	2010	**2009**	**2008**
	US$	**US$**	**US$**
Numerator for basic and diluted earning (loss) per share:			
Earnings (Loss) attributable to common stockholders	3,466,331	(5,840,422)	(4,427,113)
	Number	**Number**	**Number**
Denominator for basic and diluted earnings (loss) per share:			
Weighted average number of shares of common stock	3,037,969	3,051,216	3,056,448

	2010	2009	2008
	US$	**US$**	**US$**
	US$	**US$**	**US$**
Basic and diluted earnings (loss) per share of common stock	1.14	(1.91)	(1.45)

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

During the fiscal year ended March 31, 2010, the weighted average share price of the Company during the year was below the exercise prices of all stock options as at March 31, 2010, resulting in no incremental common shares for that year for the purpose of diluted earnings per share calculation.

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

21. COMMITMENTS

(a) Capital commitments

As of March 31, 2010 and 2009, the Company had capital commitments contracted but not provided for of US$52,919 and US$18,524, respectively, for the purchase of property, plant and equipment.

(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, land 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, 2010, 2009 and 2008 of US$440,132, US$424,194 and US$397,820, respectively, and recorded lease rental income of US$6,393, US$202,000 and US$204,134 for the fiscal years ended March 31, 2010, 2009 and 2008, respectively. Future minimum lease payments under non-cancelable operating leases as of March 31, 2010 and 2009 were as follows:

	March 31, 2010	**March 31, 2009**
	US$	**US$**
Payable:		
Within one year	1,008,261	691,281
Over one year but not exceeding two years	463,876	629,348
Over two years but not exceeding three years	472,446	463,280
Over three years but not exceeding four years	481,489	471,839
Over four years but not exceeding five years	341,018	480,871
Over five years	9,089,012	9,406,307
	11,856,102	12,142,926

22. 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.

After the 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 the appeal, the District Court, on its own initiative, entered a second amended judgment on April 16, 2007 and on June 4, 2007 entered a third amended judgment that awarded Pentalpha Enterprises 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 22(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 Pentalpha Enterprises 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 nil, US$279,000 and US$220,000 in its consolidated statement of operations for the fiscal years 2010, 2009 and 2008, respectively.

22. 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.

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.

22. CONTINGENCIES (continued)

(b) (continued)

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 on September 2, 2009.

After receiving SEB's response, Pentalpha Enterprises perceived an inconsistency between the arguments that SEB had made concerning the scope of its Patent in this action, to ensure Pentalpha Enterprises' accused products and in the Patent office to sustain the validity of its Patent. Pentalpha Enterprises therefore moved the district court for an order pursuant to Rule 60(b) of the Federal Rules of Civil Procedure for an order vacating the judgment against Pentalpha Enterprises on that ground. SEB opposed the motion.

The PTO on December 16, 2009 issued an office action stating that the claims of the SEB Patent Pentalpha Enterprises in fact patentable.

The Court of Appeals heard oral argument on the appeal on October 6, 2009 and rendered a decision on February 5, 2010 affirming the judgment of the district court. Pentalpha Enterprises petitioned for reargument en banc, which the Federal Circuit denied on March 25, 2010. Pentalpha Enterprises will have 90 days from April 1, 2010 to file a petition for certiorari in the Supreme Court of the United States.

After the Mandate of the Court of Appeals, SEB requested the district court modify the order of attachment to allow SEB to satisfy the outstanding judgment from the escrow funds that its counsel is holding from the order of attachment. As of April 30, 2010, the escrow fund held approximately US$5.1 million .

The district court heard oral argument on May 19, 2010 on Pentalpha Enterprises' Rule 60(b) motion and on SEB's application to modify the order of attachment to allow disbursement of the funds in the escrow account to satisfy its judgment. At that time, the Court indicated that it intended to grant SEB's motion, it has not yet entered a formal order. On June 23, 2010, Pentalpha Enterprises filed a petition for a writ of certiorari in the United States Supreme Court.

On August 4, 2010, the district court issued an order authorizing the attorneys for SEB to use the funds in the escrow account to satisfy the judgement, including pre-judgement interest, and pay certain expenses associated with it. If a balance remains, SEB's attorneys have been ordered to pay the balance to Pentalpha after withholding income tax. In the event a deficit remains, Pentalpha will be required to pay the remaining amount of the judgement.

In accordance with SFAS No. 5 "Accounting for Contingencies", which is codified as FASB ASC 450 "Contingencies", Pentalpha Enterprises accrued for loss contingencies in connection with this case of approximately US$5.10 million as of March 31, 2010, including a corresponding post-judgment interest charge of US$219,950 in the consolidated statement of operations for the fiscal year ended March 31, 2010.

22. CONTINGENCIES (continued)

(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.

In accordance with SFAS No. 5, which is codified as FASB ASC 450 "Contingencies", the Company determined that it is probable that a loss will be incurred and accordingly, as of March 31, 2010, approximately US$0.9 million has been provided which representing the best estimate of the likely loss that it will incur.

(d) As of March 31, 2010, the Company recognized US$5,287,804 of liabilities for unrecognized tax benefits and, in addition, US$1,767,030 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, 2010, the Company classified US$5,287,804 of its liabilities for unrecognized tax benefits and US$1,767,030 of interest and penalties as current liabilities.

23. OTHER ACCRUED LIABILITIES

	March 31, 2010	March 31, 2009
	US$	US$
Accrued expenses	2,561,787	2,493,324
Other tax payable	2,640,826	2,308,217
Land use right payable – operating lease	770,135	638,855
Other payable	923,967	793,569
	6,896,715	6,233,965

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$2,576). 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, 2010, 2009 and 2008 were US$76,321, US$78,745 and US$94,906, respectively.

According to the relevant laws and regulations in the PRC, the Company is required to contribute 14.5% 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$986,738, US$814,728 and US$911,985 during the fiscal years ended March 31, 2010, 2009 and 2008, respectively.

25. SEGMENT INFORMATION

The Company operates in four segments: Home Appliances, Electronic Components, Electronic Manufacturing Services ("EMS") and Others. These segments are operated and managed as separate strategic business units that offer different products/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 ("CCM's") for sale to cellular phone manufacturers in Mainland China. The Company's "Electronic Manufacturing Services" consists of surface mount technology ("SMT") processing of printed circuit boards and assembly services for cellular phone marketers 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, 2010, 2009 and 2008.

25. SEGMENT INFORMATION (continued)

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

	Home Appliances	Electronic Compo-nents	EMS	Others	Corporate	Consolidated
	US$	US$	US$	US$	US$	US$
As of or for the fiscal year ended March 31, 2010						
Revenues from external customers	53,889,863	38,886,903	8,990,369	162,354	—	101,929,489
Interest income	—	—	—	—	282,746	282,746
Interest expense	(4)	(65,356)	(4,305)	—	63,697	(5,968)
Depreciation and amortization	2,224,742	534,343	647,932	164,697	207,188	3,778,902
Segment profit (loss)	3,124,689	2,857,538	1,901,374	(980,131)	(3,437,139)	3,466,331
Total assets	15,140,905	19,806,612	9,754,921	423,530	65,960,858	111,086,826
As of or for the fiscal year ended March 31, 2009						
Revenues from external customers	50,805,661	34,466,153	1,802,771	312,787	—	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)	(534,527)	(292,641)	(170,572)	(3,906,834)
Segment profit (loss)	(121,515)	(546,720)	(1,441,697)	(1,274,127)	(2,456,363)#	(5,840,422)
Total assets	17,710,936	15,522,132	5,907,050	696,548	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	Electronic Compo-nents	EMS	Others	Corporate	Consolidated
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)

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

	2010	2009	2008
	US$	US$	US$
Australia	555,138	572,326	633,155
Europe	3,326,495	5,616,397	6,258,491
North America	49,212,523	39,333,008	53,644,116
Asia	48,422,656	41,216,419	44,911,592
Other regions	412,677	649,222	95,735
	101,929,489	87,387,372	105,543,089

(c) Net sales by product/service type

	2010	2009	2008
	US$	US$	US$
Floor care products	51,922,848	46,603,666	59,694,981
Kitchen appliances	558,674	1,176,585	2,274,175
CCM’s	38,910,047	33,340,887	38,902,642
Cellular phone assembly services	8,990,369	1,802,771	—
Others	1,547,551	4,463,463	4,671,291
	101,929,489	87,387,372	105,543,089

(d) Long-lived assets*

	March 31, 2010	March 31, 2009
	US$	US$
Hong Kong	482,563	453,365
Mainland China	25,258,961	27,212,188
	25,741,524	27,665,553

* 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, 2010, 2009 and 2008, amounting to US$4,786, US$200,407 and nil, respectively. The impairment losses of US$4,786 are attributable to the “Others” segment for the fiscal years ended March 31, 2010. The impairment losses of US$42,379 and US$158,028 for the fiscal year ended March 31, 2009 were attributable to the “Home appliances” and “Others” segments, respectively. No impairment loss was recognized for the fiscal year ended March 31, 2008.

25. SEGMENT INFORMATION (continued)

(f) Major customers

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

	2010	2009	2008
	US$	US$	US$
Electrolux S.A. and subsidiaries ("Electrolux")	52,870,164	41,760,515	45,651,213
Techtronic Industries Company Limited, including Royal Appliance Manufacturing Company Limited ("Royal")	429,782	7,423,103	16,184,868
Lenovo Mobile Communication Technology Ltd. ("Lenovo")	10,595,989	1,941,647	490,040

During the fiscal years ended March 31, 2010, 2009 and 2008, 51.9%, 47.8% and 43.3%, respectively, of the Company's total net sales were made to Electrolux, which is an unrelated customer. As of March 31, 2010, 2009 and 2008, 22.8%, 36.7% and 22.7%, respectively, of the Company's total accounts and bills receivable were from Electrolux. Electrolux is the customer of the Company's home appliances segment.

During the fiscal years ended March 31, 2010, 2009 and 2008, 0.4%, 8.5% and 15.3%, respectively, of the Company's total net sales were made to Royal, which is an unrelated customer. As of March 31, 2010, 2009 and 2008, 0.2%, 9.8% and 16.0%, respectively, of the Company's total accounts and bills receivable were from Royal. Royal is the customer of the Company's home appliances segment.

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

During the fiscal years ended March 31, 2010, 2009 and 2008, 10.4%, 2.2% and 0.5%, respectively of the Company's total net sales were made to Lenovo, which is an unrelated customer. As of March 31, 2010, 2009 and 2008, 26.4%, 9.4% and 1.5%, respectively if the Company's total accounts and bills receivable were from Lenovo. Lenovo is the customer of the Company's electronic components segment.

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, 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, interest receivable, and available-for-sale investments were financial assets that management believes are of high credit quality.

The Company's concentration on a limited number of customers will continue to represent a substantial portion of our sales for the foreseeable future. The loss of any major customers or a decrease or delay in order or anticipated spending by such customers could materially reduce our revenues and profitability. Our largest customers could also engage in business combinations, which could increase their size, reduce their demand for our products as they recognize synergies or rationalize assets and increase or decrease the portion of our total sales concentration to any single customer.

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.

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 a majority of its 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, 2010 and 2009. There were no material unrecognized financial assets and liabilities as of March 31, 2010 and 2009.

	Carrying value		**Fair value**	
	2010	**2009**	**2010**	**2009**
	US$	**US$**	**US$**	**US$**
Current financial assets:				
Cash and cash equivalents	24,808,596	11,312,882	24,808,596	11,312,882
Time deposits	—	4,410,951	—	4,410,951
Restricted cash	4,397,602	4,389,880	4,397,602	4,389,880
Available-for-sale investments	15,989,430	15,985,288	15,989,430	15,985,288
Accounts and bills receivable, net	23,244,365	18,438,329	23,244,365	18,438,329
Financial assets included in deposits and other assets	780,568	759,383	780,568	759,383
Amount due from a related party	28,818	33,011	28,818	33,011
Amount due from a jointly-controlled entity	21,631	69,523	21,631	69,523
Convertible note	—	5,598,487	—	5,600,000
Interest receivable	—	504,000	—	504,000
Total financial assets	69,271,010	61,501,734	69,271,010	61,503,247

	Carrying value		**Fair value**	
	2010	**2009**	**2010**	**2009**
	US$	**US$**	**US$**	**US$**
Current financial liabilities:				
Accounts payable and bills payable	6,634,746	7,962,971	6,634,746	7,962,971
Discounted bills	3,363,543	—	3,363,543	—
Accrued salaries allowances and other employee benefits	3,777,337	3,194,216	3,777,337	3,194,216
Other accrued liabilities	6,896,715	6,233,965	6,896,715	6,233,965
Total financial liabilities	20,672,341	17,391,152	20,672,341	17,391,152

27. FINANCIAL INSTRUMENTS (continued)

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, discounted bills, accrued salaries, allowances and other employee benefits and other accrual liabilities approximate to their fair values because of their short maturities. The available-for-sale investments are stated at quoted market price.

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$69,271,010 and US$61,503,247 as at March 31, 2010 and 2009, 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" which is now codified as FASB ASC 820 "Fair Value Measurements and Disclosures". 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.

28. FAIR VALUE MEASUREMENTS (continued)

SFAS 157, as codified as FASB ASC 820 "Fair Value Measurements and Disclosures", 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 price.

Assets measured at fair value on a recurring basis as of March 31, 2010 and 2009 are summarized below:

	Fair Value Measurements	
	March 31, 2010	**March 31, 2009**
	Quoted prices in active markets for identical assets Level 1	
	US$	**US$**
Assets		
Available-for-sale investments:		
U.S. dollar treasury bills	15,984,640	15,983,290
Listed equity securities	4,790	1,998
Total financial assets measured at fair value	15,989,430	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.

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 a further 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, 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.

For the fiscal year ended March 31, 2010, no new options were granted. An aggregate of 18,830 options with exercise prices ranging from US$20.00 to 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, 2010, 2009 and 2008 amounted to nil, US$41,861 and US$56,487, respectively.

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

Changes in outstanding options under both the 1997 Plan and the 2005 Plan during the fiscal years ended March 31, 2010, 2009 and 2008 are as follows:

	2010				
	Number of options	**Range of exercise price**	**Weighted average exercise price**	**Weighted average remaining contractual term**	**Aggregate intrinsic value**
		US$ (per share)	**US$ (per share)**	**(years)**	**US$**
Outstanding, at beginning of fiscal year	421,948	13.20-30.56	18.59	5.55	—
Granted	—	—	—		
Expired	(18,830)	20.00-25.00	21.68		
Exercised	—	—	—		
Forfeited	—				
Outstanding, at end of fiscal year	403,118	13.20-30.56	18.44	4.78	—
Vested and expected to be vested at March 31, 2010	403,118	13.20-30.56	18.44	4.78	—
Exercisable, at end of fiscal year	337,618	13.20-30.40	16.09	4.99	

	2009				
	Number of options	**Range of exercise price**	**Weighted average exercise price**	**Weighted average remaining contractual term**	**Aggregate intrinsic value**
		US$ (per share)	**US$ (per share)**	**(years)**	**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**	**Weighted average exercise price**	**Weighted average remaining contractual term**	**Aggregate intrinsic value**
		US$ (per share)	**US$ (per share)**	**(years)**	**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	—

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 shares. Stock grants may be awarded under the plan to the employees, including officers and directors, and non-employee directors and consultants in consideration for their services 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 stock grants during the fiscal years ended March 31, 2010, 2009 and 2008 are as follows:

	2010		2009		2008	
	Stock	**Weighted average grant-date fair value**	**Stock**	**Weighted average grant-date fair value**	**Stock**	**Weighted average grant-date fair value**
		US$		**US$**		**US$**
Non-vested, at beginning of fiscal year	2,250	31,140	3,000	41,520	3,750	51,900
Granted	—	—	—	—	—	—
Vested	(750)	10,380	(750)	10,380	(750)	10,380
Non-vested, at end of fiscal year	1,500	20,760	2,250	31,140	3,000	41,520

The total fair value of the 750 shares of common stock vested during the fiscal years ended March 31, 2010, 2009 and 2008 is US$8,925, 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, 2010 are as follows:

Options outstanding as of March 31, 2010					Options exercisable as of March 31, 2010	
Number of options	Range of exercise price per option	Weighted average remaining contractual life	Weighted average exercise price per option		Number of options	Weighted average exercise price per option
	US$ (per share)	(years)	US$ (per share)			US$ (per share)
250,751	13.20-15.60	6.29	14.87		250,751	14.87
83,867	19.00-25.00	1.15	19.22		83,867	19.22
68,500	30.00-30.56	3.71	30.55		3,000	30.40
403,118					337,618	

As of March 31, 2010 and 2009, there was an unrecognized share-based compensation cost of US$3,938 and US$5,907, 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 stocks 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 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. No options were granted during the fiscal years ended March 31, 2010, 2009 and 2008.

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 RMB312,430,738 (approximately US$45,798,200) as of March 31, 2010.

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

Balance sheets

	March 31, 2010	March 31, 2009
	US$	US$
ASSETS		
Current assets:		
Cash and cash equivalents	2,032,788	4,816,379
Available-for-sale investments	15,984,640	15,983,290
Prepaid expenses	44,093	37,618
Deposits and other assets	25,923	31,050
Total current assets	18,087,444	20,868,337
Interests in subsidiaries	59,883,699	53,577,139
Total assets	77,971,143	74,445,476
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Other accrued liabilities	235,398	244,463
Total liabilities	235,398	244,463
Shareholders' equity:		
Common stock, par value US$0.04 per share; 12,500,000 shares authorized; 3,228,564 and 3,227,064 shares issued and outstanding as of March 31, 2010 and 2009	129,143	129,083
Preferred stock, par value US$0.04 per share; 250,000 shares authorized; no shares issued	—	—
Additional paid-in capital	84,280,027	84,266,412
Accumulated deficit	(7,088,232)	(10,554,563)
Accumulated other comprehensive income	5,078,128	5,021,266
Less: Treasury stock, at cost, 189,587 and 189,387 shares as of March 31, 2010 and 2009	(4,663,321)	(4,661,185)
Total shareholders' equity	77,735,745	74,201,013
Total liabilities and shareholders' equity	77,971,143	74,445,476

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

Statements of operations

	Fiscal years ended March 31,		
	2010	**2009**	**2008**
	US$	**US$**	**US$**
Net sales	—	—	—
Cost of goods sold	—	—	—
Gross profit	—	—	—
Selling, general and administrative expenses	(907,147)	(919,168)	(739,742)
Operating loss	(907,147)	(919,168)	(739,742)
Interest income, net	36,768	194,161	1,175,121
Equity in profits (losses) of subsidiaries	5,842,060	(6,021,844)	(6,458,631)
Other income (expenses), net	(1,505,350)	906,429	1,596,139
Net income (loss)	3,466,331	(5,840,422)	(4,427,113)

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

Statements of cash flows

	Fiscal years ended March 31,		
	2010	**2009**	**2008**
	US$	**US$**	**US$**
Cash flows from operating activities:			
Net income (loss)	3,466,331	(5,840,422)	(4,427,113)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Stock compensation expense	—	41,861	56,487
Shares issued to an employee	13,675	1,969	1,969
Equity in losses (profits) of subsidiaries	(5,842,059)	6,021,844	6,458,631
Changes in operating assets and liabilities:			
Prepaid expenses	(6,475)	(1,344)	(327)
Deposits and other assets	5,127	2,148	228,061
Other accrued liabilities	(9,065)	14,013	(121,796)
Net cash provided by (used in) operating activities	(2,372,466)	240,069	2,195,912
Cash flows from investing activities:			
Purchases of available-for-sale investments	(31,977,976)	(25,949,992)	—
Proceeds from disposal of available-for-sale investments	31,926,236	9,979,200	14,672,506
Repayment of amounts due from (advances to) subsidiaries, net	(303,809)	5,877,276	(21,942,192)
Capital injection into subsidiaries	(53,440)	—	(1,858,699)
Net cash provided by (used in) investing activities	(408,989)	(10,093,516)	(9,128,385)
Cash flows from financing activities:			
Proceeds from stock options exercised	—	—	9,750
Purchase of treasury stock	(2,136)	(167,738)	—
Net cash provided by (used in) financing activities	(2,136)	(167,738)	9,750
Net decrease in cash and cash equivalents	(2,783,591)	(10,021,185)	(6,922,723)
Cash and cash equivalents at beginning of fiscal year	4,816,379	14,837,564	21,760,287
Cash and cash equivalents at end of fiscal year	2,032,788	4,816,379	14,837,564

(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

Ryan L. Long
Vice President and General Counsel, Lite Array Inc.

REGISTRAR AND TRANSFER AGENT

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

INDEPENDENT ACCOUNTANTS

BDO Limited
Certified Public Accountants
Hong Kong

2010 ANNUAL GENERAL MEETING OF SHAREHOLDERS

November 5, 2010 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:

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