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

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**FORM 20-F**

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**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

*For the fiscal year ended March 31, 2013*

OR

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

OR

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

Date of event requiring this shell company report:

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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**GLOBAL-TECH ADVANCED INNOVATIONS  
INC.**

(Exact Name of Registrant as Specified in its charter and Translation of Registrant's Name into English)

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**British Virgin Islands**

(Jurisdiction of incorporation or organization)

**12/F., Kin Teck Industrial Building, 26 Wong Chuk Hang Road, Aberdeen, Hong Kong**

(Address of principal executive offices)

**Attn: John C.K. Sham**

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**Tel.: (852) 2814 0601**

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(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class:

**Common Shares, par value \$0.04 per share**

Name of each exchange on which registered:

**The NASDAQ Stock Market LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**Not Applicable**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**Not Applicable**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period

covered by the annual report:

**3,041,227 Common Shares, par value \$0.04 per share**

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item that the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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The terms “Global-Tech,” “we,” “the Company,” the “Group,” “us” and “our” as used in this annual report on Form 20-F, or annual report, refer to Global-Tech Advanced Innovations Inc. (formerly known as Global-Tech Appliances Inc.), a British Virgin Islands corporation, and its consolidated subsidiaries, except where the context requires otherwise. The terms “China,” “Hong Kong” and “Macau” as used in this annual report refer to the People’s Republic of China (the “PRC”), the Hong Kong Special Administrative Region of China and the Macau Special Administrative Region of China, respectively.

“Discontinued operation(s)” refers to our home appliance business segment, which was discontinued in January 2012.

References throughout this annual report to a fiscal year refer to the fiscal year ended on March 31 of that year. “Fiscal 2013,” for example, refers to the fiscal year ended March 31, 2013.

Our financial statements are reported in U.S. dollars (see Note 3(q) of Notes to Consolidated Financial Statements) and in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. All references to “dollars” or “\$” in this annual report are to U.S. dollars. All references to “HK\$” are to Hong Kong dollars and “RMB” are to Chinese Renminbi .

## CAUTIONARY STATEMENT REGARDING 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. Forward-looking statements contained herein (including future cash contractual obligations, liquidity, cash flow, orders, results of operations, and trends, among other matters) or in other statements made by us are made based on management’s expectations and beliefs concerning future events impacting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed or implied by forward-looking statements. We believe that the following factors, among others (including those described in Item 3.D. “Risk Factors”), could affect our future performance and the liquidity and value of our securities and cause our actual results to differ materially from those expressed or implied by forward-looking statements made by us or on our behalf:

- the cyclical nature of the markets which we serve and the vulnerability of those markets to economic downturns;
- downturns in economic and financial conditions;
- impairment charges and other charges related to discontinued operations;
- our exit from the home appliance business;
- the loss of, or a significant reduction or delay in purchases by our customers;
- competition in our businesses and markets;
- financial distress of third parties;
- general economic, political, business and market risks associated with our global operations;
- fluctuations in foreign currency exchange and interest rates and risks associated with banks and banking systems;
- our ability to control our costs while maintaining customer relationships and core business resources;
- litigation and disputes involving us, including the extent of product liability, warranty, pension, employment and other similar claims asserted against us;
- labor costs and disputes and the deterioration of our relations with our employees;
- additional liabilities related to taxes;
- our ability to continue our technical innovation in our product lines;
- our ability to protect our intellectual property and know-how;
- claims that our products or processes infringe intellectual property rights of others;
- fluctuations in the price of our stock; and
- other factors described in this annual report.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this annual report and are expressly qualified in their entirety by the cautionary statements included in this annual report. We undertake no obligation to update or revise forward-looking statements which may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

**A. *Directors and senior management.***

Not applicable.

**B. *Advisers.***

Not applicable.

**C. *Auditors.***

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

**A. *Offer statistics.***

Not applicable.

**B. *Method and expected timetable.***

Not applicable.

### Item 3. Key Information

#### A. Selected financial data.

The selected consolidated statement of operations data for the fiscal years ended March 31, 2011, 2012 and 2013 and the selected consolidated balance sheets data as of March 31, 2012 and March 31, 2013 set forth below have been prepared in accordance with U.S. GAAP and are derived from our consolidated financial statements and notes thereto included elsewhere in this annual report. The selected consolidated statement of operations data for the fiscal years ended March 31, 2009 and 2010 and the selected consolidated balance sheets data as of March 31, 2009, 2010 and 2011 set forth below have been prepared in accordance with U.S. GAAP and are derived from our consolidated financial statements and notes thereto not included elsewhere in this annual report. The selected consolidated financial data set forth below should be read in conjunction with “Item 5—Operating and Financial Review and Prospects,” the consolidated financial statements and the notes thereto and other financial information which appear elsewhere in this annual report.

	Fiscal Year Ended March 31,				
	2009 <sup>(3)</sup>	2010 <sup>(3)</sup>	2011 <sup>(3)</sup>	2012 <sup>(3)</sup>	2013 <sup>(3)</sup>
	(In thousands, except for per share data)				
<b>Statement of operations data:</b>					
Net sales	\$ 36,582	\$ 48,040	\$ 57,469	\$ 69,653	\$ 81,083
Cost of goods sold	(35,098)	(39,722)	(50,403)	(59,009)	(70,817)
Gross profit	1,484	8,318	7,066	10,644	10,266
Selling, general and administrative expenses	(7,588)	(8,353)	(11,318)	(10,612)	(16,255)
Other operating income, net	1,674	179	1,137	28	—
Operating profit (loss)	(4,430)	144	(3,115)	60	(5,989)
Interest income, net	535	277	537	96	1,504
Other income (expenses), net	(532)	310	370	1,116	846
Loss on dissolution of a subsidiary	(1,029)	—	—	—	—
Gain on disposal of subsidiaries	158	—	—	—	—
Income (Loss) from continuing operations before income taxes	(5,298)	731	(2,208)	1,272	(3,639)
Income tax (expense) benefit	(421)	(389)	(204)	(1,229)	842
Income (Loss) from continuing operations	(5,719)	342	(2,412)	43	(2,797)
Income (Loss) from discontinued operations, net of taxes <sup>(1)</sup>	(122)	3,124	(1,776)	1,374	726
Net income (loss)	(5,841)	3,466	(4,188)	1,417	(2,071)
Net income (loss) attributable to non-controlling interests	—	—	175	(6)	108
Net income (loss) attributable to shareholders of Global-Tech Advanced Innovations Inc.	<u>\$ (5,841)</u>	<u>\$ 3,466</u>	<u>\$ (4,013)</u>	<u>\$ 1,411</u>	<u>\$ (1,963)</u>
<b>Basic and diluted earnings (loss) per share of common stock:</b>					
Income (Loss) from continuing operations	\$ (1.87)	\$ 0.11	\$ (0.74)	\$ 0.01	\$ (0.88)
Income (Loss) from discontinued operations	(0.04)	1.03	(0.58)	0.45	0.23
Basic and diluted net income (loss) per share of common stock	<u>\$ (1.91)</u>	<u>\$ 1.14</u>	<u>\$ (1.32)</u>	<u>\$ 0.46</u>	<u>\$ (0.65)</u>
Basic and diluted weighted average number of shares of common stock <sup>(2)</sup>	<u>3,051</u>	<u>3,038</u>	<u>3,039</u>	<u>3,039</u>	<u>3,040</u>

<sup>(1)</sup> In January 2012, the Company discontinued the operation of its home appliance business.

<sup>(2)</sup> The Company executed a 4-for-1 reverse stock split of its common stock effective as of December 10, 2008. All numbers have been adjusted to reflect this reverse stock split on a retroactive basis.

<sup>(3)</sup> Comparative figures have been reclassified to conform with current year’s presentation.

	At March 31,				
	2009	2010	2011 (In thousands)	2012	2013
<b>Balance sheets data:</b>					
Working capital <sup>(1)</sup>	\$ 46,362	\$ 51,870	\$ 45,170	\$ 54,000	\$ 45,383
Total assets	103,914	111,087	119,936	109,040	108,226
Net assets <sup>(2)</sup>	74,201	77,736	76,512	80,259	76,534
Total debt <sup>(3)</sup>	—	—	12,585	4,000	4,826
Shareholders' equity	74,201	77,736	76,337	80,091	76,258

<sup>(1)</sup> Working capital is the excess of current assets over current liabilities.

<sup>(2)</sup> Net assets are the excess of total assets over total liabilities and non-controlling interests.

<sup>(3)</sup> Total debt is the summation of short-term borrowings, current portion of long-term bank borrowings and non-current portion of long-term bank borrowings.

**B. Capitalization and indebtedness.**

Not applicable.

**C. Reasons for the offer and use of proceeds.**

Not applicable.

**D. Risk factors**

**Downturns in economic and financial conditions.** Demand for our products depends in large part upon worldwide consumers of telecom products. While general economic conditions have shown improvement in many parts of the world, there has been continued economic weakness in many key markets. Additionally, growth in the PRC has slowed as government policies continue to evolve. A downturn in economic conditions in the PRC or elsewhere may reduce the willingness or ability of our customers and prospective customers to commit funds to purchase our products and services, and may reduce their ability to pay for our products and services after purchase. Economic conditions that could impact our business include, but are not limited to, recessionary conditions, slow or negative economic growth rates, or the impact of state and sovereign debt defaults. Similarly, our suppliers may not be able to supply us with needed raw materials or components on a timely basis, may increase prices or go out of business, which could result in our inability to meet customer demand, or fulfill our contractual obligations or could affect our gross margins. If the economy or markets in which we operate deteriorate or financial markets weaken, our business, financial condition and results of operations could be adversely impacted.

**Inflation and increased labor costs.** The economy in China has grown significantly over the past 20 years, which has resulted in an increase in inflation and the average cost of labor, especially in the coastal cities. China's overall economy and the average wage in the PRC are expected to continue to grow. Increases in China's inflation and material increases in the cost of labor would diminish our competitive advantage and, unless we are able to pass on these increased labor costs to our customers by increasing prices for our products and services, our profitability and results of operations could be materially and adversely affected.

**Passive foreign investment company.** Based on our financial statements, relevant market data and the projected composition of our income and valuation of our assets, we do not believe that we were a passive foreign investment company, or PFIC, for fiscal 2013. While we do not expect to be a PFIC in fiscal 2014, but we cannot offer any such assurances. We have experienced recent changes in the composition of our income and assets resulting from the discontinuation of our home appliance business, and could experience further changes that may result from increases in the Company's cash reserves and/or the generation of rental income from the lease of portions of our facilities. If we become a passive foreign investment company, such characterization could result in adverse U.S. tax consequences to our investors if they are a U.S. investor. For example, if we become a PFIC, our U.S. investors will become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements.

If we are a PFIC for any taxable year during which a U.S. investor holds our common shares, unless the U.S. investor made a mark-to-market election, the U.S. investor would be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of common shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. investor's holding period for the common shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. investor's holding period for the common shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and

- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate U.S. investors will not be eligible for reduced rates of taxation on any dividends received from us in taxable years beginning prior to January 1, 2014, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

The determination of whether or not we are a PFIC is made on an annual basis and depends on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for U.S. tax purposes if either: (i) 75% or more of our gross income in a taxable year is passive income, or (ii) the average percentage of our assets (which include cash) by (determined on a quarterly average) value in a taxable year which produce or are held for the production of passive income (which includes cash) is at least 50%. The calculation of the value of our assets will be based, in part, on the then prevailing market value of our common shares, which is subject to change. See “Item 10. Additional Information—E. Taxation—Material United States Federal Income Tax Consequences.”

**Additional Land Use Rights Payments.** Following our exit from the home appliance business, approximately 88,000 square meters of production space and 10,000 square meters of dormitories were no longer needed for our operation. We began leasing a portion of this space to independent third parties in fiscal 2013 and as of the date of this annual report, we had leased 53,000 square meters of production space to be used as warehouse space.

The land use right certificates obtained by the Company for the land where the leased facilities are located include a statement as to the approved use of the land. The Dongguan City local government retains the right to demand additional fees from the Company in the event that it is deemed that the Company’s leasing of certain of its facilities is inconsistent with the approved use of the land stated on the land use right certificates. No formal fee schedule exists and thus the Company cannot quantify the amount of such fees, should the local government elect to demand the payment of such fees. No accruals have been made as these fees are neither probable nor quantifiable. In the event that we are required to pay additional land use rights, it would have an adverse effect on our financial condition and operations.

**Conflict Minerals.** In August 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”), the SEC adopted new requirements for companies that use certain minerals and derivative metals (referred to as “conflict minerals,” regardless of their actual country of origin) in their products. These new requirements will require companies to investigate, disclose and report whether or not such metals originated from the Democratic Republic of Congo or adjoining countries. In October 2012, the National Association of Manufacturers and the U.S. Chamber of Commerce filed a petition for review in the U.S. Court of Appeals for the District of Columbia in response to a section of Dodd-Frank regulation that requires public companies to disclose whether their products have been manufactured with these conflict minerals in countries where the sale of these minerals fuel humanitarian violence. The outcome of this suit is uncertain and may impact the adoption of these new requirements. In January 2013, the SEC’s conflict minerals disclosure rules became effective, requiring companies to make their first conflict minerals disclosures on or before May 31, 2014 for the 2013 calendar year. We are currently evaluating the disclosure requirements in order to comply with these disclosures, if any, within the prescribed time frame.

As there may be only a limited number of suppliers offering “conflict free” metals, we cannot be certain that our suppliers will be able to obtain necessary metals in sufficient quantities or at competitive prices. Also, since our supply chain is complex and some suppliers will not share their confidential supplier information, we may face challenges with our customers and suppliers if we are unable to sufficiently verify that the metals used in our products are “conflict free.” Some customers may choose to disqualify us as a supplier and we may have to write off inventory in the event that it becomes unsalable as a result of these regulations.

**Credit terms in the PRC.** Some of the Company’s major customers in the PRC are granted credit terms of up to 210 days; however, receivables for some of the Company’s customers may extend beyond the stated credit terms. An increase in receivables that extend beyond stated credit terms or a customer’s refusal or inability to pay would have a material adverse effect on our profitability and results of operations.

**Dependence on major customers.** Our five largest Electronic Components and EMS customers represent approximately 78% and 94% of net sales of their respective segments, and approximately 63% and 17% of consolidated net sales for continuing operations in fiscal 2013, respectively. We have no contractual arrangements with these customers and only sell to them based on purchase orders received. We expect that a limited number of customers will continue to represent a substantial portion of our sales for the foreseeable future. The loss of any of our major customers or a decrease or delay in orders 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.

**Penalties for workforce reductions.** In June 2007, the National People’s Congress of the PRC enacted new labor law legislation called the Labor Contract Law, which became effective on January 1, 2008. It formalizes workers’ rights concerning overtime hours,

pensions, layoffs, employment contracts and the role of trade unions. Considered one of the strictest labor laws in the world, among other things, this new law requires an employer to conclude an “open-ended employment contract” with any employee who either has worked for the employer for 10 years or more or who has had two consecutive fixed-term contracts. An “open-ended employment contract” is in effect a lifetime, permanent contract, which is terminable only in specified circumstances, such as a material breach of the employer’s rules and regulations, or for a serious dereliction of duty. Under the new law, downsizing by 20% or more of an individual entity may occur only under specified circumstances, such as a restructuring undertaken pursuant to China’s Enterprise Bankruptcy Law, or where a company suffers serious difficulties in production and/or business operations. Also, in the event of a layoff of more than 20 employees at one time, the entity is required to communicate with its labor union and report to the District Labor Bureau.

**Security of bank accounts in the PRC.** The Company has a number of bank accounts in the PRC to satisfy lines of credit, exchange regulations and banking facilities and to support its operations, none of these accounts are government-insured. There is considerable uncertainty over long-term effects of the expansionary monetary and fiscal policies adopted by PRC banks and financial authorities and it remains unclear whether the stimulus plans and other measures implemented by the Chinese government will be enough to avert an economic downturn. The People’s Bank of China (“PBoC”) has recently expressed its intentions to no longer support the interbank market and its desire for tighter monetary policies. In the event of a credit crisis, our accounts would be vulnerable to loss, which would have a material adverse effect on our business and financial condition.

**PRC Social Insurance Law.** In October 2010, China promulgated the Social Insurance Law of the People’s Republic of China (the “Social Insurance Law”), which became effective as of July 1, 2011. Before its promulgation, China’s social insurance policies were implemented through a web of rules and regulations at both national and local levels. The Law unifies previous, scattered laws that relate to social insurance matters. The Social Insurance Law expressly clarifies that the social insurance system in China includes pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, all of which are mandatory for employees of companies operating in the PRC. Both employers and employees are required to make contributions for pension, medical and unemployment insurance, while only employers are required to make contributions for work-related injury insurance and maternity insurance.

The Social Insurance Law does not specify the contribution rates or the basis for calculating each kind of social insurance, which leaves room for local governments to implement the Social Insurance Law based upon their local economic realities and consistent with the national policy. Currently, contribution rates are determined at the provincial or municipal level and many local governments have not yet established contribution rates.

Previously, the Company adhered to a policy of accruing and expensing social insurance premiums equivalent to two years of such costs at published rates, without regard to actual payments. The Company has assessed the potential for retroactive application of the Social Insurance Law and concluded that such retroactive application is neither likely nor calculable. In prior years, new accruals were offset by a resulting reversal of accruals made two years prior. However, should the local government rates or applicability ultimately differ from those used by the Company, it could have a material adverse effect on our financial results and financial condition.

In fiscal 2012, in connection with our exit from the home appliance business, previous accruals for the home appliance segment were reversed to offset severance and other costs relating to the elimination of employees previously assigned to the home appliance business.

**Cost and availability of labor.** There is an emerging trend of a shortage of supply of migrant workers in China, particularly in Guangdong Province where our factory is located. Both in numbers and in skill, the labor force in China cannot keep up with the current speed of economic development and labor organizations have begun to initiate industrial action to raise wages. We continually adjust salaries and fringe benefits in order to attract and retain an adequate labor force. This trend of labor shortages is expected to continue and will likely result in further increases in wages as companies seek to retain their existing work forces. In the coming year, we expect that both a potential shortage of labor and increasing costs will impact our manufacturing operations, which could adversely affect gross margins.

**Cancellation or delays in purchase orders placed by our customers.** Sales to our customers are primarily based on purchase orders and forecasts we receive. We generally purchase and stock components upon receiving orders; however, we will purchase components for certain customers based on their rolling forecasts. We are required to purchase components on an occasional or continuous basis in the expectation of receiving purchase orders for products that use such components. In the event the actual orders are delayed or cancelled, we would have increased inventory levels or possible write-downs of our inventory that could materially and adversely affect our business and results of operations.

**Foreign sales, operations and assets.** Substantially all of our products are currently manufactured in China and over 99% of the net book value of our total long-lived assets is located there. We sell products to companies based principally in China, Europe and North America. Consequently, our international operations and sales may be subject to the following risks, among others:

- political and economic risks, including political instability, currency controls and exchange rate fluctuations;
- changes in import/export regulations;
- changes in the rate of inflation;
- changes in tariff and freight rates; and
- changes in tax rates.

In particular, changes in tariff structures or other trade policies could adversely affect our customers or suppliers or decrease our competitors' costs of production.

**Governmental regulation.** Our operations and assets in China are subject to significant political, economic, legal and other uncertainties. Any of the following could result from policy changes by the Chinese government and could have a material adverse effect on our business, results of operations and financial condition:

- legal or regulatory changes, or changes in interpretation of current laws or regulations;
- new labor laws restricting flexibility in employment and added social security costs;
- confiscatory or increased taxation;
- restrictions on currency conversion, imports and sources of supply;
- import duties;
- currency devaluations; or
- expropriation of private enterprise.

Under its current leadership, the Chinese government has been pursuing economic reform policies, including the encouragement of private economic activity and greater economic decentralization. In 2001, China was admitted to the World Trade Organization ("WTO"), and is now entitled to the full trading rights afforded a WTO member country. There can be no assurance, however, that China will continue to pursue and implement favorable economic reform policies, that such policies will be successful if pursued or that such policies will not be significantly altered from time to time without prior notice.

The municipal authorities in each township in China have a certain amount of discretion to impose or waive a large number of fees and taxes including value-added tax, real estate tax, stamp duty, licenses and permits. In the Company's manufacturing location, it is subject to the laws and regulations of the township of Dongguan, Guangdong Province and the PRC. To the extent the government authorities decide to exercise their discretion to increase or impose new fees, our operations could be materially affected.

**Change in PRC taxation.** Under PRC tax law before 2008, the Company was subject to a lower overall effective tax rate than some other corporations because of the location of its business operations. However, on March 16, 2007, the Chinese government enacted a unified enterprise income tax law or EIT, which became effective on January 1, 2008. Prior to the EIT, as a foreign invested enterprise, or "FIE," some of our subsidiaries enjoyed preferential tax treatment. Under the EIT, most domestic enterprises and FIEs are subject to a single PRC enterprise income tax rate of 25%. One of our subsidiaries in China is qualified as a High and New Technology Enterprise ("HNTE") and subject to a preferential tax rate of 15% effective January 1, 2012 as long as it retains its HNTE classification. We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various administrative regions and countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by the tax authorities and to possible changes in law, which may have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes, which could have a material impact on our financial position and results of operations.

**PRC taxation on deemed income.** The PRC tax authorities could determine that any inter-company payable account in accordance with PRC GAAP could be deemed income if such inter-company payables cannot be settled and therefore subject to taxation. In accordance with FASB ASC 740, we evaluated our position and determined that such inter-company payables will be settled, and particularly, since prior year tax assessments have been confirmed with the PRC tax authorities, deeming such inter-company payables as income is not likely. However, if the PRC tax authorities deem our inter-company payables of our PRC subsidiaries as income, it would have a material impact on our financial position and results of operations.

**PRC taxation on worldwide income.** We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income. The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax

rate on their worldwide income. Under the implementation regulations for the EIT Law issued by the PRC State Council, “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. Also, on April 22, 2009, the State Administration of Tax (“SAT”) issued a Tax Circular, *Guoshuifa [2009] No. 82, Notice on the Recognition of Overseas Incorporated Domestically Controlled Enterprises as PRC Resident Enterprises Based on the Place of Effective Management Criteria*, or Circular 82, with retrospective effect from 1 January 2008. According to Circular 82, any enterprise established under the law of a country or region other than the PRC but whose main investor is a PRC enterprise or Group shall be recognized as a resident enterprise for PRC tax purposes if all the following criteria are met: (i) the senior executives responsible for its daily production or business operations and the place where such responsibilities are carried out are mainly located in China; (ii) decisions about its finances (such as borrowing, lending, financing and managing financial risk) and human resources (such as staff recruitment, termination, and remuneration policies) are made or approved by organizations or individuals located in China; (iii) its major properties, accounting books and records, company seal, board minutes and resolutions, shareholders’ meeting minutes, etc. are kept in China; and (iv) 50% or more of its voting directors or its senior executives habitually reside in China. The principle of “substance over form” applies when determining the place of effective management. Although Circular 82 was issued to regulate the PRC tax resident judgment of companies established overseas and controlled by PRC companies, which is not applicable in our case, the criteria in Circular 82 should be used as a reference to the SAT’s view on this issue. We believe the risk of being recognized as a PRC resident enterprise under the EIT Law is very low. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our results of operations.

**Potential taxes on dividends and sale of our stock.** Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent that such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC “resident enterprise,” it is unclear whether dividends we pay with respect to our common shares, or the gain our investors may realize from the transfer of our common shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are “non-resident enterprises,” or if our investors are required to pay PRC income tax on the transfer of our common shares, the value of their investment in common shares may be materially and adversely affected.

**Unsecured cash, cash equivalents and short-term investments.** We have cash and short-term cash equivalent instruments, and available-for-sale investments which are invested with third party financial institutions that may not be insured or exceed the insurance limits of the Federal Deposit Insurance Corporation (“FDIC”) or other government insurance agencies. While we make an effort to monitor the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or become subject to other adverse conditions in the financial markets. Additionally, there are restrictions in the PRC concerning transfer of funds outside the PRC. We have not experienced any loss in our cash and cash equivalents to date or lack of access to cash in our operating accounts. We also invest excess cash in immediately available and short-term interest bearing cash equivalent instruments. If a commercial bank or financial institution in which we have our funds deposited should become insolvent or be taken over by the FDIC or other governmental insurance agencies, we could have significant unrecoverable cash deposits. A loss in cash deposits would have an adverse impact on our business, results of operations and financial condition.

**New products and rapid technological change.** The technology incorporated in many of our products, particularly consumer electronics, is characterized by rapid change in the marketplace. In addition, the emergence of new technologies can quickly render existing products obsolete or unmarketable. Our ability to anticipate changes in technology and industry standards or consumer demand and successfully develop and introduce new or enhanced products that gain market acceptance will be a critical factor in our ability to grow and remain competitive. There can be no assurance that we will timely or successfully complete the development of new or enhanced products or successfully manage the transition from one product release to the next, or that our future products will achieve market acceptance. The failure to realize such goals could have a material adverse effect on our business, results of operations and financial condition.

**Proprietary technology; patent protection.** We rely on a combination of internal procedures, nondisclosure agreements, intellectual property rights assignment agreements, as well as licenses, patents, trademarks and copyright laws to protect our intellectual property and know-how. Our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged. For example, we frequently explore and evaluate potential relationships and projects with other parties, which often requires that we provide the potential partner with confidential technical information. While confidentiality agreements are typically put in place, there is a risk the potential partner could violate the confidentiality agreement and use our technical information for its own benefit or the benefit of others or compromise the confidentiality. In addition, the laws of certain

foreign countries in which our products may be sold or manufactured do not protect our intellectual property rights to the same extent as the laws of the United States. For example, laws in China may not protect our intellectual property rights to the same extent as in the United States. Failure or inability to protect our proprietary information could result in a decrease in our sales or profitability. The protection of our intellectual property may require expensive investment in protracted litigation and the investment of substantial management time and there is no assurance we ultimately would prevail or that a successful outcome would lead to an economic benefit that is greater than the investment in the litigation. In addition, we may be unable to prevent third parties from using our intellectual property rights and know-how without our authorization or from independently developing intellectual property that is the same as or similar to ours, particularly in those countries where the laws do not protect our intellectual property rights as fully as in the United States. We compete in a number of industries that are small or specialized, which makes it easier for a competitor to monitor our activities and increases the risk that ideas will be stolen. The unauthorized use of our know-how by third parties could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our business or increase our expenses as we attempt to enforce our rights.

**Potential patent infringement or similar claims.** Although it is our intention to avoid infringing or otherwise violating the intellectual property rights of others, third parties may nevertheless claim (and in the past have claimed) that our processes and products infringe their intellectual property and other rights. We compete with other companies for contracts in some small or specialized industries, which increases the risk that the other companies will develop overlapping technologies leading to an increased possibility that infringement claims will arise. Whether or not these claims have merit, we may be subject to costly and time-consuming legal proceedings, and this could divert our management's attention from operating our businesses. In order to resolve such proceedings, we may need to obtain licenses from these third parties or substantially re-engineer or rename our products in order to avoid infringement. In addition, we might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer or rename our products successfully.

**Product liability.** We may be subject to substantial product liability costs if claims arise out of problems associated with our products. We provide a warranty for limited manufacturing defects to certain of our customers. We do not provide warranties, however, that extend to the ultimate consumers of the product. Nevertheless, there can be no assurance that we will not be subject to a suit by a consumer who uses one of our products if the product causes an injury to any person or does not perform properly. We maintain product liability insurance in an amount we believe is sufficient. There can be no assurance, however, that our insurance coverage will be adequate or that all product liability claims will be covered by our current product liability insurance. In addition, these policies must be renewed annually. To date, we have not been subject to any material product liability claim. While we have been able to obtain product liability insurance in the past, premiums continue to increase in cost and may not be available in the future on terms acceptable to us, if at all. The failure to maintain insurance coverage, or a successful claim against us not covered by or in excess of the insurance coverage, could have a material adverse effect on our business, results of operations and financial condition. In addition, product liability claims, regardless of their merit or eventual outcome, may have a material adverse effect on our business reputation.

**Product safety; delays in regulatory approval.** Prior to the commercial introduction of our products into the market, we always obtain approval of our products by at least one of the organizations engaged in testing product safety and/or other appropriate agencies. The application process for securing these approvals requires a significant commitment of time and resources by our technical staff and could delay the introduction of our products. Our inability to obtain regulatory approval within the projected timeframe for commercial introduction of our products or other product introduction delays could have a material adverse effect on our business, results of operations and financial condition.

**Risks of manufacturing in China; property damage.** All of our products are manufactured at our factory complex located in Dongguan, China. In addition to the political and economic risks of operations in China, firefighting and disaster relief assistance in China is not as sophisticated as in certain Western countries. We currently maintain property damage insurance in the aggregate of approximately \$131 million which covers our inventory, furniture, equipment, machinery and buildings and also maintain business interruption insurance in the aggregate of approximately \$20.7 million for losses relating to our factory. Material damage to, or the loss of, our facilities due to fire, severe weather, flood, force majeure or other act of God or cause, even if insured against, would have a material adverse effect on our business, results of operations and financial condition.

**Impact of environmental regulations.** We are subject to Chinese laws that regulate environmental quality, the utilization of natural resources and the reduction of pollution. Environmental regulation in China is currently evolving and could become more stringent or more stringently enforced in the future, which could require us to make substantial additional capital expenditures in the future to maintain compliance. As a manufacturer, we are subject to annual inspections by the local branch of the State Environment Protection Administration ("SEPA"). Although compliance with environmental regulations has not had a material adverse effect on us in the past, failure to comply with these laws or to pass an inspection in the future could have a material adverse effect on our business, results of operations and financial condition.

**Dependence on distributions from operating subsidiaries and currency fluctuation.** We have no direct business operations, other than our ownership of our subsidiaries. If we decide to pay dividends in the future, as a holding company, our ability to pay dividends and meet other obligations would depend upon the receipt of dividends or other payments from our operating subsidiaries

and our other holdings and investments. In addition, our operating subsidiaries may also be subject to restrictions on their ability to make distributions to us, including, among others, restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions, particularly as it relates to our PRC subsidiaries. Since we do not engage in hedging or other similar transactions, extraordinary currency fluctuations could have a material adverse effect on our business, results of operations and financial condition.

**Concentration of ownership.** Wing Shing Holdings Company Limited, a British Virgin Islands company (“Wing Shing Holdings”), directors and family members of directors of the Company beneficially own approximately 67.3% of our outstanding common shares (issued net of treasury shares). The share ownership of Wing Shing Holdings is held 44.0% by the estate of Kwong Ho Sham who prior to his passing, served as the Chairman of the Company’s Board of Directors, and 56.0% by our Chief Executive Officer, John Sham, who, currently serves as a director. Voting control of Wing Shing Holdings is effectively held by John Sham. As a result, Wing Shing Holdings and its shareholders and their family members are in a position to control our activities and policies, including possessing the voting power to elect our board of directors and approve all matters requiring shareholder approval and the ability to generally direct our affairs. In June 2011, Kwong Ho Sham established a trust that would own his portion of Wing Shing Holdings’ shares in the Company. Upon his passing, 303,070 shares currently owned by Wing Shing Holdings would go into this trust and 385,727 shares owned by Wing Shing Holdings would be transferred to John C.K. Sham. As of June 2013, the transfers had not been officially executed but are expected to occur during fiscal 2014. John C.K. Sham, as a trustee of his father’s charitable trust, declines beneficial ownership of any of the trust’s shares.

**Unexpected loss of our C.E.O. or other key personnel.** Our continued growth and success requires us to hire, retain and develop our leadership bench and other highly skilled personnel. The unexpected loss of our Chief Executive Officer, John C.K. Sham, turnover in key personnel, or our failure to develop and implement an adequate succession plan to backfill current leadership could deplete our institutional knowledge base, erode our competitive advantage and jeopardize our continued viability.

**Service and enforcement of legal process.** We are organized under the laws of the British Virgin Islands. All but two of our directors and executive officers reside outside the United States, and most of our assets are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process on these persons within the United States or to enforce against these persons judgments obtained in U.S. courts, including judgments predicated on the civil liability provisions of the federal securities laws of the United States. In particular, judgments of U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States may be difficult to enforce in British Virgin Islands courts and it is uncertain whether British Virgin Islands courts will enter judgments in original actions brought in British Virgin Islands courts predicated solely upon the civil liability provisions of the federal securities laws of the United States.

**British Virgin Islands company.** Our corporate affairs are governed by our memorandum and articles of association and by the International Business Companies Act of the British Virgin Islands. Principles of law relating to such matters as the validity of corporate procedures, the fiduciary duties of management and the rights of our shareholders may differ from those that would apply if we were incorporated in the United States or another jurisdiction. The rights of shareholders under British Virgin Islands law are not as clearly established as are the rights of shareholders in many other jurisdictions. Thus, our shareholders may have more relative difficulty protecting their interests against certain actions by our board of directors or principal shareholders than similarly situated shareholders of a corporation incorporated in another jurisdiction. Please see details under “Item 10—Additional Information.”

**Director actions without shareholder approval.** Under our memorandum and articles of association and the laws of the British Virgin Islands, our memorandum and articles of association may be amended by our board of directors without shareholder approval. This includes:

- increasing or reducing our authorized capital;
- authorizing the issuance of different classes of shares, including preference shares; and
- increasing or reducing the par value of our shares.

Our ability to amend our memorandum and articles of association by a resolution of directors or a resolution of members could have the effect of delaying, deterring or preventing a change in control of the Company without any further action by the shareholders including, but not limited to, a tender offer to purchase our common shares at a premium over the current market prices.

**Our status as a foreign private issuer.** We are a foreign private issuer within the meaning of rules promulgated under the Securities Exchange Act of 1934 as amended (the “Exchange Act”). As such, we are exempt from certain of the reporting requirements under the Exchange Act and corporate governance standards of the Nasdaq Stock Market (“Nasdaq”). Because of these exemptions, investors are not afforded the same protection or information generally available to investors holding shares in public companies organized in the United States or traded on the Nasdaq. However, Nasdaq does not exempt foreign private issuers from independent audit committee requirements and we are required to disclose any significant ways our current corporate governance practices differ from those followed by domestic companies under Nasdaq listing standards. In addition, our Chief Executive Officer must notify Nasdaq if one of our executive officers becomes aware of any material non-compliance with any applicable Nasdaq corporate governance listing standards to Nasdaq. Please see “Item 16G—Corporate Governance” for more information.

**Reciprocal enforcement of foreign judgments.** No treaty exists between Hong Kong and the United States providing for the reciprocal enforcement of foreign judgments. Accordingly, Hong Kong courts might not enforce judgments predicated on the federal securities laws of the United States, whether arising from actions brought in the United States or, if permitted, in Hong Kong.

**Delisting of our common shares.** Our Common Stock is currently quoted on the Nasdaq Global Market. The Company must satisfy certain minimum listing maintenance requirements to maintain such quotation, including a series of financial tests relating to shareholders equity or net income or market value, public float, number of market makers and shareholders, market capitalization, and maintaining a minimum bid price of \$1.00 per share for the Common Stock. If our Common Stock is delisted from the Nasdaq Global Market, then our Common Stock may trade on the Over-the-Counter-Bulletin Board, which is viewed by most investors as a less desirable and less liquid market place. Delisting from the Nasdaq Global Market could make trading our Common Stock more difficult and increase expenses for the Company to raise additional capital and may have an adverse impact on the overall value of our Common Stock.

**Inherent limitation on Internal Control.** Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management decision. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it may be possible to design into the process safeguards to reduce, though not eliminate, this risk.

**Inherent uncertainty in preparation of financial statements.** The consolidated and condensed consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets, liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to changes in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our financial position and results of operations.

#### **Item 4. Information on the Company**

##### **A. History and development of the Company.**

Our legal name is Global-Tech Advanced Innovations Inc. (formerly known as Global-Tech Appliances Inc.). The Company was organized as an international business company under the laws of the British Virgin Islands on May 2, 1991 and became a publicly traded entity on April 7, 1998. The address of our registered office in the British Virgin Islands is TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands, and the telephone number at that address is (284) 494-5296.

The address of our principal place of business, and the location of our executive and administrative offices, is 12/F., Kin Teck Industrial Building, 26 Wong Chuk Hang Road, Aberdeen, Hong Kong, and the telephone number at that address is (852) 2814-0601. Our e-mail address is investorrelations@global-webpage.com. Our website is located at <http://www.global-webpage.com>. The information contained on our website does not constitute a part of this annual report.

##### **B. Business overview.**

Historically, the Company's primary business was the export of a wide range of small electrical appliances to North American and European markets. However, the Company's continuing efforts to diversify its business, together with the discontinuation of our home appliance business, resulted in all of our revenues from continuing operations for fiscal 2013 being derived from the Chinese domestic telecommunications market. It is anticipated that the majority of the Company's future business is likely to be focused on opportunities in the PRC.

In fiscal 2013, we reported our results of operations in three segments: (i) electronic components; (ii) electronic manufacturing services ("EMS"); and (iii) others. Through December 2011 we had a fourth reportable segment: home appliances. These segments were managed separately and were characterized by different originations, processes and locations. As a result of our exit from the home appliance business in January 2012, we began reporting these operations as discontinued operations as of March 31, 2012. Because our segment results are reported on a continuing operations basis, we have three remaining reportable segments for fiscal 2013: (i) electronic components; (ii) EMS; and (iii) others.

The electronic components and EMS businesses became reportable segments in fiscal 2007 and fiscal 2010, respectively, as a result of the separation of management functions for the businesses. The "others" segment is comprised of a number of product

lines/units, which individually are not yet material and have not met the quantitative thresholds for a reportable segment, and development programs that have not materialized to date into full product businesses. The results of each segment are routinely evaluated in assessing performance and allocating resources amongst the segments.

As discussed more fully under “Discontinued Operations” below and in Note 18, “Discontinued Operations,” in the accompanying consolidated financial statements, our home appliance business is reported as a discontinued operation.

## ***Recent Developments***

### ***Discontinued Operations***

As previously disclosed and discussed elsewhere in this annual report, the Company completed its exit from the home appliance business in January 2012.

In the fiscal periods preceding the Company’s exit from the home appliance business, profit margins had been rapidly decreasing, due at least in part, to the rising cost of raw materials and labor in the PRC, together with the unwillingness or inability of our customers to offset these costs through pricing increases. Customer pricing demands no longer reflected actual production costs and as a result, margins in recent years approached unacceptable levels, with the home appliance segment actually suffering significant losses in fiscal 2011.

### ***Lease of Former Home Appliance Facilities***

With the discontinuation of the home appliances segment, certain portions of our facilities in Dongguan, PRC were no longer needed for our operation. We began leasing the space to independent third parties during fiscal 2013 and, as of March 31, 2013, 23,000 square meters of production space had been leased. Subsequent to our fiscal year end, an additional 30,000 square meters had been leased. The average rent is RMB9 (net of VAT) per square meter per month and it is expected that our net rental income will exceed the depreciation and maintenance on the unoccupied facilities in fiscal 2014.

## **Electronic Components**

We continue to acquire new technologies in an effort to expand our capabilities in manufacturing finished products and components. These transactions are part of our long-term business strategy to gradually diversify and transform a portion of our manufacturing facility into a facility capable of producing higher-value, technology-oriented products that will allow us to leverage our existing research and development and technical management staff in Hong Kong, as well as our manufacturing infrastructure in China.

Initially we acquired Lite Array, Inc. a U.S. based technology company involved in thin film electroluminescent (“TFEL”) and organic light emitting diode (“OLED”) displays. We sold Lite Array’s TFEL factory in China in 2003, but maintained its OLED program. Due to declining retail prices for OLED displays, revisions to our OLED strategy became necessary. We combined our efforts with Anwell Technologies Limited (“Anwell”), a public company in Singapore, by establishing a jointly controlled entity to develop a more cost effective process for producing OLED equipment, rather than just marketing OLED displays. Our main interest in developing OLED displays was focused on cellular phone displays, and as a result of our business contacts in the telecommunications industry in the PRC, we determined that making camera modules for cell phones was a promising business opportunity for us.

In late fiscal 2005, we established a new entity, Global Optics Limited, to produce and market complementary metal oxide semiconductor (“CMOS”) camera modules (“CCMs”) to cellular phone manufacturers in China and to develop other products incorporating optical modules. In fiscal 2013 our net sales of CCMs and other electronic products were \$65.2 million, which represents a 19.8% increase over fiscal 2012 net sales of \$54.4 million.

We believe the opportunity to sell CCMs and other electronic components to cellular phone and tablet computer manufacturers in the PRC is a promising business for us, albeit currently at commodity-type margins. At present, we source the sensors and lenses so that we can apply our resources to the operation of a top quality clean room in our manufacturing facility in the PRC for low-cost assembly and concurrently concentrate on software development, customer integration design and product enhancements, particularly higher pixel count cameras and improved optics. We also are developing products that incorporate CCMs for non-telecommunication applications, our primary focus being on document photo scanners, security products and medical instruments. During fiscal 2013, we invested in chip-on-board (“COB”) equipment to produce existing sensors and higher pixel sensors more cost effectively. High yields are critical in this process and our initial results have been acceptable.

All of our customers for electronic components are presently in the PRC or Hong Kong and we sell in Renminbi or U.S. dollars.

## Strategy

Our primary strategy for electronic components is to provide our telecom manufacturing customers in the PRC and other Asian countries with superior camera modules for their cellular phones. As more consumers, both in Asia and the export markets our customers serve, require increasingly sophisticated products with enhanced features, we decided to develop software and camera modules necessary to satisfy these demands. Additionally we sell CCMs to tablet computer and PC manufacturers as well as incorporating them into finished products we design and market.

*Partnership with vendors.* The sensors and lenses utilized in CMOS cameras are highly specialized and are only available from a small number of vendors. While the Company has no long-term agreements with its vendors, we have established a long-standing and mutually beneficial relationship with a major sensor company that views our PRC based operations as an opportunity to access many of the PRC cellular phone manufacturers. It is by virtue of this relationship, as well as relationships with other vendors, that the Company receives valuable technical support essential to the business and product development programs. These relationships are critical to the development of new products and the expansion of existing product lines.

*Innovative product development.* Many CCM modules application requires its own software and integration programs. We submit multiple samples to our customers to test and evaluate. This process ensures application effectiveness and superior optical performance are achieved. We also concentrate on developing higher pixel count and clearer resolution CCMs as customer demands for such features continue to rise. Recently, we have begun designing and selling a range of security devices and photo scanners incorporating CCMs that we market primarily in the PRC.

*Superior quality PRC based manufacturing.* Utilizing our clean room expertise derived from OLED production, we have been able to produce high quality CCMs that demonstrate excellent reliability. This allows our PRC based customers to purchase CCMs in the PRC rather than importing them from Korea or Taiwan, and remain confident in the quality of the products they are receiving.

*Expansion of manufacturing capabilities.* We have invested in all of the equipment necessary to assemble modules in a Class 1000 clean room. We have added precision mounting equipment and a full range of testing apparatus to support and maintain high quality production. We continually expanded our facility from inception through fiscal 2013 as demand for CCMs continued to grow, and now have sufficient capacity to support steady growth in this business with limited additional investment. Our current CMOS technology is CSP, or chip scale packaging, that supplies us with an integrated sensor and lens. In late fiscal 2013, we began investing in COB, or chip-on-board technology. This required construction of a class 10 clean room and investment in new equipment and processes. The investment should reduce our costs and enable us to produce higher pixel CCMs more efficiently.

## Products

We started manufacturing CCMs early in fiscal 2006 primarily utilizing 0.3 megapixel CMOS sensors. Sales in fiscal 2013, 2012 and 2011 were \$65.2 million, \$54.4 million and \$42.6 million, respectively. As pricing for VGA cell phone cameras continued to decline at a rate exceeding 20% per annum, we developed higher pixel count camera modules and introduced 1.3 and 2.0 megapixel versions in fiscal 2009 and 3.0 and 5.0 megapixel versions in fiscal 2010 and 8.0 megapixel versions in fiscal 2013. The original VGA camera has developed into a low margin commodity, which adversely impacts unit revenues and overall profitability. However, we will continue to provide our customers with these products as well as developing higher pixel units in fiscal 2014. Our aim in fiscal 2012 and 2013 was to reduce the share of 0.3 megapixel units to less than 50% of our unit volume, which we achieved. In fiscal 2013, however, many customers substituted 3.0 megapixel units for 5.0 megapixel to lower costs, leading to a significant impact on our profitability. We expect the 3.0 megapixel CCMs to continue being the largest unit volume product in fiscal 2014. In the future, as more of our customers market 3G cell phones, we will concentrate our resources on selling more of our units, particularly the higher pixel units, utilizing our new COB process, which should generate more acceptable margins.

## Product Design and Development

The development group for electronic components consists of a dedicated team of software and optical engineers supported by a large number of process, electronic and clean room engineers in our factory in Dongguan. We also rely extensively on our principal sensor supplier for new technology and expanded features.

Our expenditures for design and development of electronic components were \$0.2 million, \$0.1 million and \$0.4 million in fiscal 2013, 2012 and 2011, respectively.

## Manufacturing

We operate clean rooms in two of the buildings in our manufacturing complex in Dongguan. We built one class 1000 clean room in 2007 and have expanded every year since including building a 669 square meters class 10 clean room for COB production in fiscal 2013. Our production area for Dongguan Lite Array Company Limited ("DGLAD") which includes our SMT production area with a maximum of class 1000 total is 4,886 square meters and the other working area is 2,436 square meters of which production and working areas for CCMs are 2,949 and 373 square meters respectively.

We have in place the capacity to produce up to 3 million CCMs using CSP and 1.5 million using COB per month which is more than sufficient to support anticipated demand for peak periods in the near term. We have the space and necessary financial resources to expand quickly if demand increases.

We ship our CCMs directly to our PRC customers, most of whom are located in Guangdong province, or ship to export customers from our warehouse in Hong Kong. Title in the PRC is transferred when the delivery note is “acknowledged” by the customer. Title for shipments from our warehouse passes when the customer takes physical delivery of the goods.

### **Quality Control**

Superior quality control procedures are essential for the manufacture of electronic components. The average life expectancy of cell phones requires that each critical component performs reliably for many years. We test every CCMs before shipment and our customers test every one during their assembly process. Any rejects are returned to us for further inspection, and if appropriate, rework. This is considered a standard operating procedure in the industry. Any sensors that are defective, such that the CCMs cannot be repaired, are returned to the vendor.

### **Suppliers**

We obtain lenses, connectors and other components from a number of different vendors in Taiwan, Korea and the PRC and are not reliant on any one vendor. However, we have developed a close relationship with one vendor and purchase a majority of our CMOS sensors from them. We have preapproved and certified alternative vendors who could satisfy all of our demand if necessary at minimal additional cost.

### **Major customers**

Sales to our largest CCMs customer Lenovo Mobile Communication Technology Ltd. amounted to \$26.8 million or 33.1% of consolidated net sales in fiscal 2013. Shenzhen ZTE Mobile Tech Co., Ltd. was our largest CCMs customer in fiscal 2012 and its sales accounted for \$24.2 million or 34.8% of consolidated net sales in fiscal 2012.

Our top five customers represented 62.7% of our consolidated net sales in fiscal 2013 and 78% of segment net sales. One of the top five customers is a customer of both our EMS and electronic component businesses.

### **Marketing**

Marketing is designed to provide widespread exposure to our innovative, high-quality products and cost-effective production capabilities. Generally, we emphasize personal contact with our customers and potential customers in our facilities. While our customers rely on us for high-quality products, the ultimate consumers of the products rely on the customers’ brand name and generally do not know the identity of the manufacturer. The primary concern of our customers in maintaining a relationship with us is buying better performing products at competitive prices. We believe that innovation is the key for both our customers and us in this regard.

While price and production capacity are still the main criteria in securing sales, our software and integration capabilities are becoming much more significant to our telecom customers and this should help diminish the commodity nature of this business going forward. Additionally, as a result of technical advances in our development programs, we are now able to market our products to top tier consumer electronic brands in China as well as governmental and financial agencies. We continue upgrading our scanning software to enable bureaucracies to record a wider variety of documents and script and are attempting to obtain local and national government accreditation for our products. Additionally, we have developed relationships with certain companies involved in the real estate market and hope to begin incorporating our security devices in their future development projects.

### **Competition**

Competition in the electronic components market is intense. However, since the market for cellular phone cameras continues to expand in China and its export markets, we believe that demand will continue to meet industry capacity; provided, however, that margins may not remain at current levels without productivity improvements. As we become a more significant supplier to certain large PRC cell phone manufacturers, expand our software and integration capabilities and continue expanding our capacity, we are realizing small competitive advantages which we hope will improve our margins.

Competition is also intense in the security devices market. We hope to take advantage of our relationships with certain real estate companies to gain a competitive edge in this market.

While competition is strong in the scanner market, especially given the number of products already on the market, we believe our software incorporates a number of superior features. Growth in this business will be somewhat dependent on the specifications reflected in government procurement practices.

### **Intellectual Property Rights**

We currently hold 66 patents, primarily registered in the PRC. We rely primarily upon a combination of trademark, copyright, know-how, trade secrets and contractual restrictions to protect our intellectual property rights. There can be no assurance that steps taken by us to protect these proprietary rights will be adequate to prevent misappropriation of the technology or the independent development of similar technology by others.

### **Electronic Manufacturing Services (“EMS”)**

At present our EMS business consists of two primary services: (i) surface mount technology (“SMT”) for printed circuit board assembly; and (ii) cellular phone assembly, which usually incorporates our CCMs and printed circuit board and packaging. We invested in SMT machines and assembly equipment along with clean rooms and areas in late 2008 and revenues in fiscal 2009 were \$1.8 million. The first full year of EMS business in fiscal 2010 saw expansion of the business to \$9.0 million in revenues and a further expansion of capacity was implemented in 2011. Revenues in fiscal 2013 and 2012 were \$14.3 million and \$14.4 million, respectively. All of our customers for EMS are in the PRC and we charge them for our services in RMB.

### **Strategy**

Our initial strategy for EMS was to build on our electronic components business by offering manufacturing services to both existing telecommunication customers as well as new customers looking to outsource the manufacturing or assembly of some of their products. Providing assembly services encouraged customers to also give us their SMT business.

However, in recent years our labor costs have increased to such an extent that assembly services at prevailing pricing are no longer profitable. Accordingly, we are concentrating on SMT services and gradually reducing our assembly work to only those customers for which we can get an adequate return and at the same time reducing our direct and indirect costs to a much lower breakdown level.

EMS requires significant investment, both in machinery and testing equipment as well as working capital. Large telecommunication customers in the PRC expect significant credit terms only. Given that we are effectively debt free, we will use our resources to maintain necessary capital expenditures and support working capital that will only be dedicated to support customer programs that will generate sufficient profitability.

To date all of our EMS customers have been based in the PRC although we have recently gained a Korean customer.

### **Manufacturing**

Our EMS business currently occupies 33,990 square meters of production space in three of our buildings in our Dongguan, PRC facility.

We have one clean room containing ten SMT machines. We also have a total of thirty-three assembly and packing lines.

For fiscal 2014, we will have the capacity to produce approximately ten million circuit boards and assemble a similar quantity of cell phones or tablets. While we are focused on utilizing our SMT as near capacity as possible, we do not expect to do so for the foreseeable future. Additionally, we expect many of our assembly lines to be under utilized until such time as more profitable opportunities occur. Our capital investment to date is \$12.4 million, of which we spent \$0.8 million in fiscal 2013. In future years, if we produce a higher proportion of 3G circuit boards, we will need to add more specialized SMT machines and lease more sophisticated testing equipment.

Labor is the most significant cost in EMS and thus rising wages in Dongguan pose a significant threat to profitability. Additionally, lease rates for software/language testing equipment continue to increase. If productivity lags expectation or labor cost continues to rise, margins and profitability can be rapidly eroded so minimizing labor turnover by hiring quality labor is critical.

We ship the assembled finished products to our customers’ transportation facilities in the PRC for distribution to their customers. It is our responsibility (and cost) to deliver products according to their shipping schedule requirements.

### **Quality Control**

Our quality control procedures are extensive since each cell phone’s features have to be tested and also any undocumented loss of customer-supplied product is charged to us. Therefore we inspect every item and have established procedures to handle rejected components and product. Any rejects are inspected and verified by our customers’ QC staff at our facility.

Our experience and processes in quality control gained through our other businesses is being applied effectively in our EMS operation.

### **Major Customers**

Revenues from sales to our largest EMS customer, Shenzhen TINNO Mobile Technology Co., Ltd., amounted to \$8.6 million, or 10.7%, of consolidated net sales in fiscal 2013, of which \$8.4 million were revenues from EMS, and \$13.0 million, or 18.7%, of consolidated net sales in fiscal 2012, of which \$10.3 million were contributed from the EMS segment.

Revenues from our top five EMS customers represented 16.5% and 20.7% of our consolidated net sales from continuing operations and 93.9% and 100% of segment sales in fiscal 2013 and 2012, respectively.

### **Marketing**

Our marketing efforts were initially directed towards existing telecommunication customers for electronic components in the PRC. As their businesses, particularly exports to the third world, continued to grow, they sought subcontract partners that would also be able to defray some of their working capital investment.

Our willingness to invest in the necessary equipment and the quality and reliability of our production team satisfied our potential customers that subcontracting was a cost efficient way for them to continue to grow their business. However, in the last few years, despite the recent inflation in labor costs, there has been an unwillingness by the telecom customers to accept the subcontracting costs particularly for assembly have to rise. We are therefore de-emphasising assembly and concentrating our efforts on potential customers for SMT of 3G printed circuit boards which are more complex to produce and priced 30% above non 3G boards. We have continuous discussions with overseas telecom companies who want to participate in the Chinese market but do not expect any material business from them in fiscal 2014.

### **Competition**

The EMS business, while capital intensive, is extremely competitive as it does not require complex proprietary technology. In order to compete effectively we need to emphasize our quality and reliability rather than trying to match competitors' prices. Major telecommunication companies primarily require timeliness, quality and reliability, and will try to place emphasis on these factors rather than focusing exclusively on price.

### **Others**

The primary emphasis in Others over the previous two fiscal years has been to develop a medical instrument business for the PRC domestic market. We also continue to experiment and carry out modest development work in other areas.

Dongguan Microview Medical Technology Company Limited was incorporated in China to provide an operating entity to house our medical instrument business, which has moved from the development stages into an operational business. This business requires a manufacturing environment certified by Chinese FDA authorities and all medical products are subject to numerous approval processes. Our initial product, a disposable cannula incorporating a CMOS camera along with an integrated workstation, recently received Chinese FDA approval. Our product is now used in over 120 hospitals in China and in one province (Guanxi), the official hospital reimbursement rate has been established which is required for any medical product for system wide use. Growth in this business depends on the number of doctors trained to use our instruments and we currently are increasing the number of physician trainers we retain. We also have developed three additional medical instruments currently undergoing field trials as part of the Chinese FDA certification process.

Late in fiscal 2012 we established a second subsidiary, Joke Media Limited, with the intent to install media displays for developing and distributing advertising and entertainment content for use in shopping centers, restaurants and hotels. We installed a trial system during fiscal 2013 and we will await the results before adjusting or expanding the business.

### **Strategy**

The market for medical instruments in China is growing substantially but entry into the market is restricted by established hospital and distributor systems and product and procedure pricing is subject to approval of the provincial government where each hospital is located. Additionally, securing PRC FDA approval of our products requires extensive trials, which can be time consuming and expensive. To date our disposable cannula and workstation have received the necessary PRC FDA approvals and we are slowly achieving entry into the Guangdong Province market. We intend to expand our product offerings, all of which will be compatible with the workstation developed for our initial cannula. As with the cannula, Governmental approval and acceptance by distributors and provincial approval of product pricing will dictate the success of future products. Our growth will also depend on the willingness of consumers in the PRC and elsewhere to pay a premium for products that improve the safety of existing procedures.

Our strategy for our media business is to mirror existing display/advertising concepts, but utilize a centralized messaging center to provide media data to the displays, thus avoiding costly manual data changeovers. The future direction for this business will be evaluated following the results of our trial system installed during fiscal 2013.

### **Product Design and Development**

The principle development work in “others” over the last two years has been devoted to medical instruments and some solar devices. Development expenses for others were approximately \$137,000, \$160,000 and \$174,000 in fiscal 2011, 2012 and 2013, respectively.

### **Foreign Issuer Considerations**

Because we are a foreign issuer incorporated in the British Virgin Islands and we conduct our operations and own assets primarily in China and Hong Kong, our operations and assets are subject to significant political, economic, legal and other uncertainties in China, Hong Kong and, in some instances, the British Virgin Islands. These uncertainties include the following:

**Chinese government regulation.** Our operations and assets in China are subject to significant political, economic, legal and other uncertainties. Changes in policies by the Chinese or local governments resulting in:

- changes in laws and regulations, or the interpretation and enforcement of existing laws and regulations,
- confiscatory or increased taxation,
- restrictions on currency conversion, imports and sources of supply,
- import duties,
- currency revaluation, or
- the expropriation of private enterprise

The occurrence of any of the events listed above could have a material adverse effect on our business, results of operations and financial condition. Under its current leadership, the Chinese government has been pursuing economic reform policies, including the encouragement of private economic activity and greater economic decentralization. There can be no assurance, however, that the Chinese government will continue to pursue such policies, that such policies will be successful if pursued or that such policies will not be significantly altered from time to time without notice. Following the Chinese government’s program of privatizing many state-owned enterprises, the government has attempted to augment its revenues through increased tax collection. Continued efforts to increase tax revenues could result in increased taxation expense being incurred by us. Economic development may be limited as well by:

- the imposition of austerity measures intended to reduce inflation, increase taxes or reform unprofitable state owned enterprises,
- the inadequate development of infrastructure, and
- the potential unavailability of adequate power and water supplies, transportation, communications and raw materials and parts.

The Chinese government regulates the import into China of certain raw materials used by us in our manufacturing process and taxes the importation of certain capital equipment. The approval of imports by the government is based to some extent on the lack of qualified domestically produced products and strategic plans for the development of local Chinese industry. There can be no assurance that the government’s policies will continue to allow the raw materials we require to be imported into China. There also can be no assurance that the government’s policies will not impose import fees, which would raise the cost of raw materials or capital equipment. Imposing such fees could have a material adverse effect on our business, results of operations and financial condition.

**Chinese legal system.** China’s legal system is a civil law system that is based on written statutes and in which decided legal cases have little precedential value. China does not have a well-developed, consolidated body of laws governing foreign investment enterprises. As a result, the administration of laws and regulations by government agencies may be subject to considerable discretion. As legal systems in China develop, foreign business entities may be adversely affected by new laws, changes to existing laws or interpretations of existing laws and preemption of provincial or local laws by national laws. In circumstances where adequate laws exist, it may not be possible to obtain swift and equitable enforcement of the laws.

**Chinese environmental law.** Environmental protection in China is regulated in accordance with the Environmental Protection Law of the People’s Republic of China, which became effective on December 26, 1989. The law sets national standards for environmental quality and monitoring, as well as the utilization of natural resources and the reduction of pollution. As a manufacturer, we are subject to annual inspections by the local branch of the SEPA. We have passed our most recent inspection and believe that we

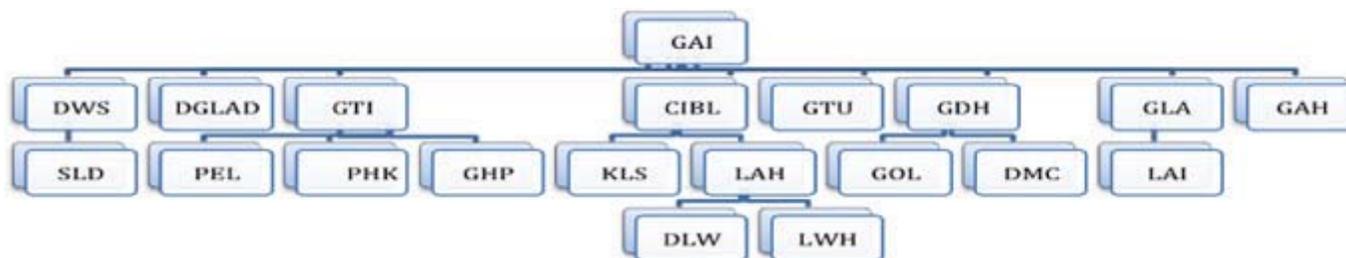
are in material compliance with all applicable environmental laws. There can be no assurance, however, that we will continue to pass future inspections or that we will continue to be in material compliance with all applicable environmental laws in the future. Environmental regulation is evolving in China and the imposition of additional or more stringent environmental laws by China, or more stringent enforcement of existing laws, could cause us to have to make substantial additional capital expenditures to maintain compliance in the future. The necessity to make such additional capital expenditures could have a material adverse effect upon our results of operations and financial condition.

***Conditions in Hong Kong.*** Hong Kong, the jurisdiction of incorporation of six of our subsidiaries and the location of our headquarters, was restored to China on July 1, 1997. We conduct marketing, administration and other activities in Hong Kong. Accordingly, we may be adversely affected by factors affecting Hong Kong's political situation and its economy or its international political and economic relations.

No treaty exists between Hong Kong and the United States providing for the reciprocal enforcement of foreign judgments. Accordingly, Hong Kong courts might not enforce judgments predicated on the federal securities laws of the United States, whether arising from actions brought in the United States or, if permitted, in Hong Kong.

**C. Organizational structure.**

The following chart sets forth the significant subsidiaries owned, directly or indirectly, by the Company as of June 30, 2013.



Name	Abbreviation	Principal Activities	Place of Incorporation	Percentage of Equity Interest Held
Global Appliances Holdings Limited	GAH	Investment Holding	British Virgin Islands	100.0
Global Display Holdings Limited	GDH	Investment Holding	British Virgin Islands	100.0
Kwong Lee Shun Trading Company Limited	KLS	Leasing of a property and the rendering of administration and management services	Hong Kong	100.0
GT Investments (BVI) Limited	GTI	Investment Holding	British Virgin Islands	100.0
Consortium Investment (BVI) Limited	CIBL	Investment Holding	British Virgin Islands	100.0
Global Optics Limited	GOL	Trading of raw materials and electronic and optical components	Hong Kong	100.0
Dongguan Wing Shing Electrical Products Factory Company Limited	DWS	Provision of cellular phone assembly services	China	100.0
Dongguan Lite Array Company Limited	DGLAD	Developing, manufacturing and marketing of electronic and optical components and provision of cellular phone assembly services	China	100.0
Dongguan Microview Medical Technology Company Limited	DMC	Manufacturing and distribution of medical instruments	China	100.0
Joke Media Limited	SLD	Media services	China	100.0
Lite Array Holdings Limited	LAH	Investment Holding	British Virgin Islands	30.0
Litewell Technology (HK) Limited	LWH	Design and trading of OLED production equipment and corresponding materials	Hong Kong	30.0
Dongguan Litewell (OLED) Technology Limited	DLW	Research & Development of OLED equipment	China	30.0
Global Household Products Limited	GHP	Trading of household appliance products	Hong Kong	100.0
Pentalpha Medical Limited	PEL	Inactive	Hong Kong	100.0
Pentalpha Hong Kong Limited	PHK	Inactive	Hong Kong	100.0
Global-Tech USA, Inc.	GTU	Provision of consultation services	United States	100.0
Global Lite Array (BVI) Limited	GLA	Investment Holding	British Virgin Islands	76.75
Lite Array, Inc.	LAI	Inactive	United States	76.75

Global-Tech (“GAI”) is a holding company, which does not engage in daily business operations other than owning subsidiaries and holding investments in operating and trading companies. GT Investments (BVI) Limited is the immediate holding company of Pentalpha Hong Kong Limited, Pentalpha Medical Limited and Global Household Products Limited.

Consortium Investment (BVI) Limited is the immediate holding company of Lite Array Holdings Limited and Kwong Lee Shun Trading Company Limited. On March 17, 2006, CIBL entered into an agreement with Anwell, a publicly listed company in Singapore, to form a joint venture company which Anwell invested in by purchasing a 70% interest in LAH. LAH is the holding company of Litewell Technology (HK) Limited and Dongguan Litewell (OLED) Technology Limited. LAH and its subsidiaries’ fiscal year end is December 31, which is different from the Company.

Global Display Holdings Limited is the immediate holding company of Global Optics Limited and Dongguan Microview Medical Technology Company Limited.

Global Lite Array (BVI) Limited is the immediate holding company of Lite Array, Inc.

MasterWerke Limited and Global Digital Imaging Limited were dissolved on May 2 and May 8, 2012 respectively.

Global Auto Limited and Global Rich Innovation Limited were dissolved on February 26 and February 28, 2013 respectively.

Wing Shing Overseas Limited was dissolved on May 28, 2013.

#### **D. *Property, plant and equipment.***

##### **China**

Our manufacturing facility located in Dongguan, China has a land use area of 207,300 square meters. We have the right to use such land, which we acquired from the Dongguan local government.

We have obtained land use right certificates for a substantial portion of our land with an aggregate area of 183,900 square meters as well as the related property ownership certificates for our production premises. The formal grant of land rights is required should we decide to sell this property. Although we presently have no intention to pursue this option, the local government still has the right to demand additional transfer fees before issuance of any land use right certificates. The application for the remaining portion of land is currently in process with the appropriate governmental agencies in China. Upon expiration of the 50-year lease term of the land, we have the right to extend the lease for an additional 20 years upon payment of a fee of approximately \$23.00 per square meter for the whole land use right extension. The land use rights lease for the Dongguan facility between the Company and the People’s Government of Qingxi Township, Dongguan City, Guangdong Province is for a term of 50 years ending August 7, 2043.

The manufacturing complex includes 40 buildings, of which 12 buildings are dormitories with accommodation for up to 4,500 employees and cafeterias and recreational areas. The remaining buildings house manufacturing, quality control, warehousing, product development and administrative functions. We have obtained a portion of the property ownership certificates for buildings (29 out of a total of 40 properties) and have freely transferable land use rights for a period of 50 years for the land upon which our buildings and facilities are located. Excluding dormitories, cafeterias and recreational areas, roads and a portion of land reserved for future expansion, our completed production area is approximately 174,000 square meters.

As a result of our exit from the home appliance business, approximately 88,000 square meters of production space and 10,000 square meters of dormitories were no longer needed for our operation. Of the production space, 61,000 square meters is warehouse space and the balance includes production equipment available for sale or rent. Of the dormitories, 6,500 square meters are available for rent. We began leasing the space to independent third parties in fiscal 2013 and through March 31, 2013, we had leased 23,000 square meters of production space to be used as warehouse space. Subsequent to our fiscal year end, we have leased a further 30,000 square meters also for warehousing. The average rental is RMB9 (net of VAT) per square meters per month and it is expected that our net rental income will exceed the depreciation and maintenance on the idle facilities in fiscal 2014.

We maintain an office in Shenzhen of approximately 600 square meters for our electronic components sales staff and an accounting department for our PRC subsidiaries. We also maintain an office in Guangzhou for our medical sales group. Our total rent for these two offices is approximately \$16,400 per month.

Subsequent to March 31, 2013, we purchased office space of approximately 1,000 square meters for RMB25.9 million (equivalent to US\$4.2 million) in Shenzhen and will vacate our existing leased office space in August 2013.

## **Hong Kong**

In April 2008, we entered into three renewal lease agreements with Wing Shing Products Company Limited (“Wing Shing Products”), a company owned in part by our Chief Executive Officer, John Sham, with a total area of 25,690 square feet of space leased for our executive offices, administrative group and warehouse at a rate of approximately \$173,000 per annum. On January 1, 2012, we amended the lease agreement with Wing Shing Products that reduced the total area to 11,010 square feet at a rate of approximately \$70,786 per annum. In April 2012, we amended the lease agreement with Wing Shing Products to increase the rent to \$113,043 per annum. From February 2013, we further reduced the total rental space we leased to 7,340 square feet at an annual rent of \$75,360 per annum.

We believe that our administrative office space in Hong Kong and China will be adequate for the operation of our business for the foreseeable future. We believe that our manufacturing facility in Dongguan will also be adequate for the operation of our business for the foreseeable future. We anticipate that any further expansion of our Electronic Components or EMS businesses could increase utilization at the Dongguan facility and eventually require us to renovate one of the buildings formerly used in the operation of our home appliance business.

### **Item 4A. Unresolved Staff Comments.**

Not applicable.

### **Item 5. Operating and Financial Review and Prospects.**

Except for statements of historical facts, this section contains forward-looking statements 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. Forward-looking statements are not a guarantee of our future performance or results and our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the sections of this Report entitled Item 3D—“Risk factors” and Item 4B—“Business overview.” This section should be read in conjunction with our Consolidated Financial Statements included in Item 18 of this annual report.

## **Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

### ***A. Operating Results.***

#### ***Fiscal Year Ended March 31, 2013 Compared with Fiscal Year Ended March 31, 2012***

In fiscal 2013, we reported our results of operations in three segments: (i) electronic components; (ii) electronic manufacturing services (“EMS”); and (iii) others. These segments were managed separately and were characterized by different originations, processes and locations. Through December 2011 we had a fourth reportable segment: home appliances. As a result of our exit from the home appliance business in January 2012, we began reporting these operations as discontinued operations as of March 31, 2012. Because our segment results are reported on a continuing operations basis, we have three remaining reportable segments for fiscal 2013: (i) electronic components; (ii) electronic manufacturing services (“EMS”); and (iii) others.

The following discussion of our financial condition and results of operations excludes the results of our discontinued operations unless otherwise noted. See Note 18, “Discontinued Operations” in the accompanying consolidated financial statements for further discussion of these operations.

## Electronic Components segment

	Fiscal Years Ended March 31,		
	2013	2012	2011
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	(86.2)	(87.9)	(88.8)
Gross profit	13.8	12.1	11.2
Selling, general and administrative expenses	(8.6)	(7.5)	(7.1)
Operating income	5.2%	4.6%	4.1%

**Net sales.** Our net sales include sales of electronic components (primarily CCMs), products incorporating CCMs and raw materials for customer prototypes. Net sales consist of gross amounts invoiced less discounts and VAT, if applicable. Sales are typically denominated in RMB for sales in the PRC and denominated in US\$ for export sales. Our most significant material costs are typically denominated in dollars but all our other costs are in local currency.

The CCM business, which constitutes the bulk of our net sales of electronic components, was established in mid-fiscal 2006, and expanded rapidly until the worldwide economic slowdown in the fall of 2008. Recently, the business has seen gradual improvement as the Chinese telecommunication market has resumed growth. Net sales in fiscal 2013 increased 19.8% to \$65.2 million from net sales of \$54.4 million in fiscal 2012.

Unit sales in fiscal 2013 increased 11.2% to 22.8 million units of which 34% were commodity type VGA units and the balance higher pixel units. However, one of our most significant customers downgraded from 5.0 megapixels to 3.0 megapixels in their primary export cellphones and our high value 5.0 CCMs only accounted for 10% of units, considerably below expectations. Unit prices declined 20% for VGA units and 25% for the other units during the year as supply in China continued to exceed demand.

We expect unit sales will increase marginally in fiscal 2014, but we expect a better mix and are optimistic that pricing will remain stable. Additionally with our investment in COB, we will be able to market 5.0 and 8.0 megapixel CCMs for tablets and 4G phones at more competitive prices.

Our product sales of scanners and security device incorporating CCMs did not meet our expectations in fiscal 2013, but amounted to \$3.8 million of incremental business. We expect a modest increase in this business in fiscal 2014 primarily from our range of document scanners, but establishing a more effective distribution network will be essential for this business to grow materially.

**Gross profit.** Gross profit in fiscal 2013 was \$9.0 million or 13.8% of net sales compared to \$6.6 million or 12.1% of net sales in fiscal 2012. Gross profit is directly related to the mix of business since unit labor and overhead is the same for each type of CCM. Therefore, the higher the pixel count (and thus a higher price), the greater the contribution which is why improving the mix of the business has a major impact on gross profit.

Sensors and lenses, the key components in CCMs, continue to decline in cost at a similar rate as the camera modules themselves. Material costs as a percentage of sales have been gradually improving over the last three years and were at 75% in fiscal 2013 versus 78% in fiscal 2012. The improvement in 2013 was primarily due to achieving better yields from slightly lower grade VGA sensors.

The labor content for each CCM is the same regardless of pixel count but direct labor costs continue to escalate due to inflation in pay rates and benefits in excess of 10% per annum. Direct labor and overhead in fiscal 2013 were 3.6% and 7.5% of net sales respectively compared to 3.5% and 5.4%, respectively, in fiscal 2012. Overhead increased \$1.9 million in 2013 to \$4.8 million due primarily to significant increases in social insurance rates and utilities, both of which are likely to increase again in fiscal 2014.

There is an indication that our cost increases may be more manageable as the growth rate in China is slowing, so volume growth and an improving mix of business along with cost savings from COB production will remain critical to improving profitability in fiscal 2014.

**Selling, general and administrative expenses.** SG&A expenses in fiscal 2013 were \$5.6 million or 8.6% of net sales compared to \$4.0 million or 7.5% of net sales in fiscal 2012. The primary components of SG&A are personnel costs, occupancy costs for our PRC staff where the entire CCM operation is located, and development and prototyping expense. Our personnel costs rose primarily due to the impact of continuing wage inflation. We spent \$0.2 million on development programs in fiscal 2013 and do not expect it to increase significantly in fiscal 2014.

**Operating income, net.** Operating income in fiscal 2013 was approximately \$3.4 million or 5.2% of net sales compared to an operating income of approximately \$2.5 million or 4.6% in fiscal 2012.

**Other income (expenses), net.** Other income (expense), net in fiscal 2013 was a gain of approximately of \$0.4 million compared to a gain of \$0.5 million in fiscal 2012. The primary component of other income (expenses), net in both years was government grants that support “high-tech” activities in the PRC domestic market.

**Segment income (loss).** Segment profit in fiscal 2013 was \$3.7 million compared to a segment profit of \$2.9 million in fiscal 2012.

### EMS segment

EMS consists of two allied functions: SMT automated processing for printed circuit board assembly and final assembly and testing of cell phones. Both functions serve telecommunication customers in the PRC. While assembly is a low margin business, offering this service to our telecom customers has helped secure their business for our more profitable CCM and SMT business.

This business became a separate segment in fiscal 2010.

	Fiscal Years Ended March 31,		
	2013	2012	2011
Net revenues	100.0%	100.0%	100.0%
Operating costs	(98.0)	(73.6)	(82.8)
Gross profit	2.0	26.4	17.2
Selling, general and administrative expenses	(27.1)	(24.8)	(21.4)
Operating income (loss)	(25.1)%	1.6%	(4.2)%

**Net revenues.** Our net revenues include fees for SMT processing and assembly of mobile phones. Revenues in fiscal 2013 were \$14.3 million compared to \$14.4 million in fiscal 2012.

At the revenue levels achieved in fiscal 2013, we were still operating at less than optimal production. Delays in securing key new customers, due primarily to general slowing of export markets, continued to impact the business. Expansion of this business will continue to depend on our ability to attract new customers, particularly from outside the PRC.

As discussed elsewhere in this annual report, we have made significant capital investments in the expansion of the EMS business in order to establish an efficient level of production capacity. We have the capacity to generate up to \$25 million in annual revenues, with no further significant investment in capital but do not expect to achieve this level of business in the immediate future.

**Gross profit.** Gross profit in fiscal 2013 was approximately \$0.3 million or 2.0% of revenues compared to a gross profit of \$3.8 million or 26.4% in fiscal 2012. Gross profit was impacted materially by major labor issues. Turnover was high which led to poor productivity and the quality of the labor and supervision available in Dongguan was not acceptable even though wages and benefits were increased to a very competitive level. Unless labor productivity is improved significantly going forward, certain EMS assembly services will no longer be offered to our customers. Direct labor was \$5.9 million and overhead excluding depreciation was \$7.4 million or 41.4% and 51.9% respectively of net revenues compared to \$4.2 million and \$5.8 million in fiscal 2012 or 28.8% and 40.0% of net revenues respectively. The principal elements of overhead are supervisory labor of \$2.4 million, utilities, software testing charges and PRC social insurance for labor. Depreciation in fiscal 2013 was approximately \$972,000 compared to \$918,000 in fiscal 2012.

**Selling, general & administrative expenses.** SG&A expenses in fiscal 2013 were \$3.9 million or 27.1% of revenues and were \$3.6 million or 24.8% of revenue in fiscal 2012. The primary components of SG&A are personnel and travel and entertainment costs for the sales and marketing group. The compensation programs for our sales staff are currently being amended to focus on adding new customers and achieving price increases. Included in SG&A in fiscal 2013 were development costs of \$0.4 million compared to \$0.3 million in fiscal 2012.

**Operating income (loss), net.** Operating loss in fiscal 2013 was approximately \$3.6 million or 25.1% of net revenues compared to an operating income of approximately \$0.2 million or 1.6% of net revenues in fiscal 2012. In fiscal 2014, we will reduce our overhead and SG&A staff levels to reflect changes in our EMS business.

**Other income (expenses), net.** Other income, net in fiscal 2013 was approximately \$262,000, whereas, in fiscal 2012, this comprised of other expenses, net of approximately \$8,200. In fiscal 2013 the primary other income was a handling fee related to procuring materials for a customer and paying the associated VAT.

**Segment income (loss).** Segment loss in fiscal 2013 was approximately \$3.3 million compared to segment income of approximately \$0.2 million in fiscal 2012.

As a result of the poor financial performance, the EMS group was reorganized, new management installed and a new customer secured. We believe the EMS segment will return to profitability by the third quarter of fiscal 2014, as we reduce the amount of assembly work, reduce our overhead and more importantly focus more on our SMT services which remain competitive and profitable.

### **Others segment**

Net sales of other products in fiscal 2013 were approximately \$1.6 million, and were primarily from sales of disposable medical devices, motors and small appliances. Net sales of other products in fiscal 2012 were approximately \$0.8 million, which were primarily from sales of disposable medical devices.

We generated a gross profit of approximately of \$1.0 million in fiscal 2013, compared to approximately \$0.3 million in fiscal 2012.

The operating loss in fiscal 2013 was approximately \$1.4 million, compared to approximately \$0.7 million in fiscal 2012. Selling, general and administrative expenses increased \$1.5 million from fiscal 2012 due to the accounting for many of our common charges in our Dongguan facility that had previously been absorbed by the home appliances business as well as added personnel for our potential medical device business and an increase in government fees and taxes. The segment loss in fiscal 2013 was \$1.2 million, compared to \$0.6 million in fiscal 2012. In both years the primary cause for losses was our initial development and distribution programs for medical products and in fiscal 2013 the additional common charges have further increased the loss.

### **Corporate**

**Selling, general and administrative expenses.** Non-allocable corporate expenses were \$4.3 million in fiscal 2013 compared to \$2.0 million in fiscal 2012. Expenses in fiscal 2013 included non-cash stock compensation expenses of approximately \$267,000 compared to \$34,000 in the prior year. Corporate expenses in fiscal 2013 reflected an increase of approximately \$2.3 million mainly due to an increase of stock compensation expenses, insurance premiums and corporate salaries costs. Many of these costs are reflected in discontinued operations in prior years. The primary components of corporate expenses are audit fees and legal and professional fees (approximately \$627,000 in fiscal 2013 as compared to approximately \$673,000 in fiscal 2012) and the cost of senior management and administrative staff of \$1.7 million compared to \$0.9 million in fiscal 2012 (also \$1.7 million in fiscal 2011).

**Other operating income (expenses), net.** Other operating income in fiscal 2012 of \$29,000 related to proceeds from the settlement of a lawsuit. No such proceeds are recorded in other operating income (expenses) in fiscal 2013.

**Interest income, net.** Interest income, net was approximately \$1.6 million in fiscal 2013, including \$0.8 million reversal of potential interest related to potential tax adjustments, compared to \$0.2 million which reflected an accrual for interest related to potential tax adjustments of \$0.2 million in fiscal 2012. In fiscal 2013, we had an average invested fund balance, which includes cash and cash equivalents, restricted cash and available-for-sale investments, of approximately \$48.0 million, with an average rate of return of 1.75% as compared to an average invested balance of approximately \$47.4 million, with an average rate of return of 0.8% in fiscal 2012.

**Other income (expenses), net.** In fiscal 2013, the major components of other income (expenses), net, in corporate included foreign exchange gains of approximately \$225,000, a tax penalty of \$258,000, rental income of \$178,000 and a loss on the disposal of fixed assets of approximately \$44,000. In fiscal 2012, the major components of other income (expenses), net, in corporate included foreign exchange gains of approximately \$167,000, loss on disposal of fixed assets of \$86,000 and a reversal of an accrual for potential litigation of \$500,000. (See Note 16—Other income (expenses), net of Notes to Consolidated Financial Statements for a detailed breakdown of the components of Other income (expenses), net).

**Income tax.** Our financial statements include a provision for income tax benefits of approximately \$0.8 million in fiscal 2013 which mainly represents a reversal of potential tax provisions, compared to a provision of \$1.3 million in fiscal 2012 primarily for EIT profit tax in the PRC.

We are not subject to taxation in the British Virgin Islands, however we are subject to income tax in each jurisdiction where our subsidiaries do business. Certain of our income is earned in China, where the standard tax rate is 25.0%, and in Hong Kong, where the corporate tax rate is 16.5% for both fiscal 2013 and 2012, on income from operations but excluding interest, dividend income and capital gains. In Hong Kong, estimated taxes for each fiscal year are paid during the year based on the prior year's taxable earnings from operations. An adjustment in the form of additional taxes paid or refunds to us is then made in the following fiscal year based on actual taxable earnings. Therefore, in each fiscal year, our statement of operations and comprehensive income reflects a provision for estimated taxes for the current fiscal year and adjustments for over- or under-provision with respect to the prior fiscal year.

Our Chinese subsidiaries are subject to income tax based upon the taxable income as reported in the statutory financial statements prepared under Chinese accounting regulations. During the 5<sup>th</sup> Session of the 10<sup>th</sup> National People's Congress of the PRC, which concluded on March 16, 2007, a unified enterprise income tax law, or EIT, was approved and became effective on January 1,

2008. The EIT Law introduced a wide range of changes which included the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Subsequently, Dongguan Lite Array qualified as a High and New Technology Enterprise (“HNTE”) which entitles it to pay a preferential tax rate of 15% so long as it remains classified as an HNTE. Taxes in China are based upon the financial statements of our two PRC subsidiaries based upon their preparation in accordance with PRC GAAP. Certain inter-company transactions could be interpreted by the local authorities as taxable transactions. In accordance with the provisions of FASB ASC 740, such transactions have been assessed and reflected in the computation of income taxes payable. To the extent that we have income effectively connected with the conduct of a U.S. trade or business in any fiscal year, we would be subject to U.S. taxes at an effective rate up to 55%. We do not believe that our current method of operations subjects us to U.S. taxes.

**Income (loss) from continuing operations.** The loss from continuing operations in fiscal 2013 was \$2.8 million compared to income of \$43,000 in fiscal 2012 due to the significant deterioration in income from operations.

**Income (loss) from discontinued operations.** Income from discontinued operations, net of tax was \$0.7 million in fiscal 2013 compared to \$1.4 million in fiscal 2012. Discontinued operations represent the home appliances segment that ceased operation in January 2012. Income in fiscal 2013 was generated from the sale of machines, materials and parts from inventory previously written off in prior years. Income from discontinued operations in fiscal 2012 represented nine and a half months of the home appliances segment.

**Net income (loss).** Net loss for the group for fiscal 2013 was approximately \$2.0 million, or \$0.65 per share, as compared to a net income of \$1.4 million, or \$0.46 per share for fiscal 2012.

#### A. Operating Results.

##### Fiscal Year Ended March 31, 2012 Compared with Fiscal Year Ended March 31, 2011

During fiscal 2012, we operated in four segments: Home Appliances, Electronic Components, EMS and Others. These segments were operated and managed as separate strategic business units that offered different products. These segments were each managed separately because they manufacture and distribute products with different production processes.

##### Home Appliances segment

	Fiscal Years Ended March 31,		
	2012	2011	2010
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	(82.4)	(93.5)	(83.8)
Gross profit	17.6	6.5	16.2
Selling, general and administrative expenses	(12.8)	(10.4)	(10.7)
Operating income (loss) from discontinued operations	4.8%	(3.9)%	5.5%

The results of the Home Appliances segment were included in income (loss) from discontinued operations on the face of the consolidated statements of operations and comprehensive income (see Note 18 of Notes to Consolidated Financial Statements for a detailed breakdown).

**Net Sales.** Our net sales include sales of finished goods, parts and accessories, and tooling income from procuring, designing and manufacturing molds for certain products that our customers choose to own. Net sales consist of gross amounts invoiced less discounts. Revenues from product sales are recognized at the time of shipment when title and risk of loss pass. Under the Company’s standard terms and conditions of sale, which are mainly FOB shipment point, title and risk of loss transfer to the customer at the time product is delivered to the customer’s freight forwarder, and revenue is recognized accordingly.

Net sales in fiscal 2012 were \$53.9 million, an increase of 23.9% from \$43.5 million in fiscal 2011. Sales to our largest customer in fiscal 2012, Electrolux, increased \$10.3 million to \$52.3 million. Sales of kitchen appliances in fiscal 2012 decreased \$0.3 million from the prior year to \$0.8 million but we had not actively been pursuing business for these products for some time. As disclosed elsewhere in this annual report, the Company completed its exit from the home appliance business in January 2012.

**Gross profit.** Gross profit consists of net sales less costs of goods sold, which includes the costs of raw materials, production materials, labor, transportation, depreciation and factory overhead. Gross profit in fiscal 2012 was \$9.5 million or 17.6% of net sales, as compared to a gross profit of \$2.8 million or 6.5% of net sales in fiscal 2011. Gross profit increased primarily due to pricing adjustments agreed upon with Electrolux, our largest customer in fiscal 2012, during the transition period preceding our exit from the home appliance business.

In fiscal 2012, our material cost as a percentage of net sales was 70.0% as compared to 72.7% in fiscal 2011 reflecting a slight decrease in commodity costs and the effect of some pricing relief.

Direct labor as a percentage of sales was 6.4% and 6.6% in fiscal 2012 and 2011 respectively. Despite a significant increase in wage rates, the efficiency and resulting productivity of the organized exit program was sufficient to offset this. Overhead in fiscal 2012 was \$3.2 million, \$3.0 million lower than the prior year. This was primarily due to a write-back of provision for severance program for the home appliance personnel of \$1.6 million. Overhead in fiscal 2012 included depreciation of \$1.4 million and utilities of \$1.4 million compared to \$1.6 million and \$1.6 million respectively in fiscal 2011. The reduction was due to production being only for nine and a half months in fiscal 2012 as opposed to the full year in fiscal 2011.

**Selling, general and administrative expenses.** The primary components of our selling, general and administrative (“SG&A”) expenses are related to transportation of finished goods and salaries for our marketing and technical personnel. SG&A expenses in fiscal 2012 were \$6.9 million or 12.8% of our net sales, as compared to \$4.5 million or 10.4% of net sales in fiscal 2011. Shipping, handling or other costs that are incurred for the sales of products are classified as selling expenses. The shipping expense relates to inland freight from the factory to the port, where title is passed to the customer. During fiscal years ended March 31, 2012 and 2011, shipping costs charged to selling expenses were approximately \$0.7 million.

Included in SG&A expenses in fiscal 2012 were severance payments of approximately \$2.4 million under a government approved and supervised program for all of the home appliance personnel. Excluding these payments, SG&A was unchanged in fiscal 2012 compared to fiscal 2011.

**Operating income (loss) from discontinued operations, net.** In fiscal 2012, we generated an operating income from discontinued operations of \$2.6 million, as compared to an operating loss from discontinued operations of \$1.7 million in fiscal 2011.

**Other income (expense), net.** Other income (expense), net of \$1.2 million in fiscal 2012 was a result of an impairment loss for machinery used in the home appliance operation. Other income in fiscal 2011 was \$59,000 which was immaterial.

**Provision for income taxes.** A \$25,000 provision for PRC income taxes on the profits of Dongguan Wing Shing, the manufacturing company for home appliances was accrued in 2012.

**Income (loss) from discontinued operations.** In fiscal 2012, we generated an income from discontinued operations of approximately \$1.4 million compared to a loss from discontinued operations of \$1.8 million in fiscal 2011.

The facilities previously occupied by the home appliance business are being offered for rent. The annual depreciation and maintenance charges for the space to be rented are estimated to be \$1.2 and \$1.4 million, respectively. Annual rental, if the facilities are successfully leased, is expected to be \$1.7 million annually if the full 88,000 square meters of production space were rented and the lessees would be required to reimburse the Company for a significant portion of the maintenance costs. As of the filing date, 53,000 square meters of the available space has been rented and discussions with other potential lessors are ongoing.

### Electronic Components segment

	Fiscal Years Ended March 31,		
	2012	2011	2010
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	(87.9)	(88.8)	(87.5)
Gross profit	12.1	11.2	12.5
Selling, general and administrative expenses	(7.5)	(7.1)	(6.9)
Operating income (loss)	4.6%	4.1%	5.6%

**Net sales.** Our net sales include sales of electronic components (primarily CCMs) and raw materials for customer prototypes. Net sales consist of gross amounts invoiced less discounts and VAT, if applicable. Sales are typically denominated in US\$, except for customers based in the PRC, which are denominated in RMB. Our material costs are also typically denominated in dollars but all our other costs are in local currency.

The CCM business, which constitutes the bulk of our net sales of electronic components, was established in mid-fiscal 2006, and expanded rapidly until the worldwide economic slowdown in the fall of 2008. Recently, the business has seen gradual improvement as the Chinese telecommunication market has resumed growth. Net sales in fiscal 2012 increased 27.7% to \$54.4 million from net sales of \$42.6 million in fiscal 2011.

Unit sales in 2012 increased 10.2%, but with a significantly improved mix of higher pixel count modules, average unit pricing increased over 20.0%, sales of 3.0 and 5.0 megapixel units increased over 400% and many of our telecom customers are switching to higher quality cameras for their mobile phones and PDAs, particularly their 3G products.

**Gross profit.** Gross profit in fiscal 2012 was \$6.6 million or 12.1% of net sales compared to \$4.8 million or 11.2% of net sales in fiscal 2011. The CCM and other electronic components businesses are increasingly competitive with the proprietary technology being maintained by the sensor and lens suppliers, thus margins reflect a commodity type business. Margins in fiscal 2012 were helped by the sale of a greater percentage of higher pixel units as well as higher production absorption of fixed overhead offset by increasing labor costs. Margins in fiscal 2011 were impacted by falling prices, which fortunately were offset to some extent by production efficiencies. Direct labor and overhead in fiscal 2012 were 3.5% and 5.4% of net sales, respectively, compared to 3.9% and 6.6%, respectively, in fiscal 2011. Labor costs in US dollars increased substantially in fiscal 2011 due to wage inflation, the implementation of new labor laws and strength of the RMB. CCM production requires skilled labor, which remains in high demand in Guangdong province. It continues to be necessary to offer increasingly higher wages and benefits to remain competitive, and we expect our labor costs to increase at least 10% in local currency in fiscal 2013. Because the labor content for each CCM is the same regardless of pixel size, the trend toward higher pixel modules reduces the percentage labor cost. Overhead excluding depreciation was \$2.6 million in fiscal 2012, an increase of approximately \$62,000 from fiscal 2011 primarily due to the impact of the new social security law on labor benefits and the increase in electricity costs due to higher oil prices. Material cost in fiscal 2012 was 78.2% of net sales, a slight decrease from 78.3% in the prior year. Since inception, material cost has consistently remained around 80.0% of net sales. Volume growth and an improving mix remain critical to improving profitability.

**Selling, general and administrative expenses.** SG&A expenses in fiscal 2012 were \$4.0 million or 7.5% of net sales compared to \$3.0 million or 7.1% of net sales in fiscal 2011. The primary components of SG&A are personnel costs, occupancy costs for our PRC staff where the entire CCM operation is located, and development and prototyping expense. Our personnel costs rose primarily due to the impact of currency appreciation and continuing wage inflation. We spent \$0.1 million on development programs in fiscal 2012.

**Operating income, net.** Operating income in fiscal 2012 was approximately \$2.5 million or 4.6% of net sales compared to an operating income of approximately \$1.8 million or 4.1% in fiscal 2011.

**Other income (expenses), net.** Other income (expense), net in fiscal 2012 was a gain of approximately of \$0.5 million, which consisted primarily of government grants, compared to a loss of \$80,000 in fiscal 2011.

**Segment income (loss).** Segment profit in fiscal 2012 was \$2.9 million compared to a segment profit of \$1.4 million in fiscal 2011.

### EMS segment

EMS consists of two allied functions: SMT automated processing for printed circuit board assembly and final assembly and testing of cell phones. Both functions serve telecommunication customers in the PRC. While assembly is a low margin business, offering this service to our telecom customers helps secure their business for our more profitable CCM and SMT business.

This business became a separate segment in fiscal 2010.

	<u>Fiscal Years Ended March 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net revenues	100.0%	100.0%	100.0%
Operating costs	(73.6)	(82.8)	(59.5)
Gross profit (loss)	26.4	17.2	40.5
Selling, general and administrative expenses	(24.8)	(21.4)	(19.3)
Operating income (loss)	<u>1.6%</u>	<u>(4.2)%</u>	<u>21.2%</u>

**Net revenues.** Our net revenues include fees for SMT processing and assembly of mobile phones. Revenues in fiscal 2012 were \$14.4 million compared to \$14.7 million in fiscal 2011.

At the revenue levels achieved in 2012, we were still operating at less than optimal production. Delays in securing key new customers, due primarily to general slowing of export markets, continued to impact the business.

As discussed elsewhere in this annual report, we have made significant capital investments in the expansion of the EMS business in order to establish an efficient level of production capacity.

**Gross profit (loss).** Gross profit in fiscal 2012 was \$3.8 million or 26.4% of revenues compared to a gross profit of \$2.5 million or 17.2% in fiscal 2011. Direct labor was \$4.2 million and overhead excluding depreciation was \$5.8 million or 28.8% and 40.0%, respectively, of net sales compared to \$4.6 million and \$6.6 million in fiscal 2011 which were 31.2% and 45.0% of net sales, respectively. The labor turnover and productivity issues that plagued us in prior years were addressed in fiscal 2012, with fair progress being made. This was due in part to a general slowdown in the low technology export business in Guangdong, which eased wage pressures and freed up labor. The principal elements of overhead are supervisory labor of \$1.9 million, electricity for the SMT machines and clean room, software testing charges for mobile phone assembly and social security taxes for labor. Depreciation in fiscal 2012 was approximately \$0.9 million compared to \$0.8 million in fiscal 2011.

**Selling, general & administrative expenses.** SG&A expenses in fiscal 2012 were \$3.6 million or 24.8% of sales and were \$3.2 million or 21.4% in fiscal 2011. The primary components of SG&A are personal and travel and entertainment costs for the sales and marketing group. The compensation programs for our sales staff are currently being amended to focus on adding new customers and achieving price increases. Included in SG&A in fiscal 2012 were development costs of \$0.3 million compared to \$0.3 million in 2011.

**Operating income (loss), net.** Operating income in fiscal 2012 was approximately \$0.2 million or 1.6% of net sales compared to an operating loss of approximately \$0.6 million or 4.2% of net sales in fiscal 2011.

**Other expenses, net.** Other expenses, net in fiscal 2012 and 2011 were approximately \$8,000 and \$71,000, respectively.

**Segment income (loss).** Segment income in fiscal 2012 was approximately \$0.2 million compared to segment loss of approximately \$0.7 million in fiscal 2011.

### **Others segment**

Net sales of other products in fiscal 2012 were approximately \$0.8 million, and were primarily from sales of disposable medical devices. Net sales of other products in fiscal 2011 were approximately \$0.1 million, which were primarily from sales of home security and medical devices.

We generated a gross profit of approximately \$0.3 million in fiscal 2012, primarily from the sale of medical instruments, compared to an approximately \$0.2 million gross loss in fiscal 2011.

The operating loss in fiscal 2012 was approximately \$0.7 million, compared to approximately \$1.0 million in fiscal 2011 and the segment loss in fiscal 2012 was \$0.6 million, compared to \$1.0 million in fiscal 2011. In both years the primary cause for losses was our initial development and distribution programs for medical products.

### **Corporate**

**Selling, general and administrative expenses.** Non-allocable corporate expenses were \$2.0 million in fiscal 2012 compared to \$4.3 million in fiscal 2011. Expenses in fiscal 2012 included non-cash stock compensation expenses of approximately \$34,000 compared to \$500,000 in the prior year. Corporate expenses in fiscal 2012 reflected a decrease of \$2.3 million mainly due to a decrease of stock compensation expenses, legal and professional fees, donations and corporate salaries. The primary components of corporate expenses are audit fees, legal and professional fees (approximately \$0.7 million in fiscal 2012 as compared to approximately \$0.9 million in fiscal 2011) and the cost of senior management and administrative staff of \$0.9 million compared to \$1.7 million in fiscal 2011.

**Other operating income (expenses), net.** Other operating income of approximately \$29,000 in fiscal 2012 arose mainly from proceeds from the settlement of a lawsuit. Other operating income in fiscal 2011 of \$1.1 million represents the result of a reversal of an accrual for loss contingencies related to pending litigation.

**Interest income, net and other income (expenses).** Interest income, net included approximately \$177,000 accrual for potential interest related to potential tax adjustments in fiscal 2012, compared with \$308,000 resulting from a reversal of potential interest related to potential tax adjustments in fiscal 2011. Interest income from bank deposits and other short-term investments in fiscal 2012 and fiscal 2011 were approximately \$0.4 million and \$0.5 million, respectively. In fiscal 2012, we had an average invested fund balance, which includes cash and cash equivalents, time deposits, restricted cash and available-for-sale investments, of approximately \$47.4 million, with an average rate of return of 0.8% as compared to an average invested balance of approximately \$40.2 million, with an average rate of return of 1.2% in fiscal 2011. In fiscal 2012, the major components of other income (expenses), net, in corporate included foreign exchange gains of approximately \$167,000 and loss on the disposal of fixed assets of \$86,000 and reversal of an accrual for potential litigation of \$500,000. In fiscal 2011, the major components of other income (expenses), net, in corporate included foreign exchange losses of approximately \$615,000, loss on disposal of fixed assets of \$4,000 and other sundry income of \$1.1 million. (See Note 16—Other income (expenses), net of Notes to Consolidated Financial Statements for a detailed breakdown of the components of Other income (expenses), net.)

**Income tax.** Our financial statements include a provision for income tax of approximately \$1.3 million in fiscal 2012 primarily for CIT profit tax in the PRC and of \$110,000 in fiscal 2011.

We are not subject to taxation in the British Virgin Islands, however we are subject to income tax in each jurisdiction where our subsidiaries do business. Certain of our income is earned in China, where the standard tax rate is 25.0%, and in Hong Kong, where the corporate tax rate is 16.5% for both fiscal 2012 and 2011, on income from operations but excluding interest, dividend income and capital gains. In Hong Kong, estimated taxes for each fiscal year are paid during the year based on the prior year's taxable earnings from operations. An adjustment in the form of additional taxes paid or refunds to us is then made in the following fiscal year based on actual taxable earnings. Therefore, in each fiscal year, our statement of operations and comprehensive income reflects a provision for estimated taxes for the current fiscal year and adjustments for over- or under-provision with respect to the prior fiscal year.

Our Chinese subsidiaries are subject to income tax based upon the taxable income as reported in the statutory financial statements prepared under Chinese accounting regulations. Our subsidiaries in China were entitled to a tax concession period ("Tax Holiday"), whereby they were exempted from corporate income tax for their first two profit-making years and were entitled to a 50% tax reduction for the succeeding three years. Effective January 1, 2004, Dongguan Wing Shing had been subject to the full tax rate of 27.0%. This Chinese subsidiary was our manufacturing facility for home appliances and also covered all of the common charges and a significant portion of our manufacturing overhead. This subsidiary made sales of finished goods to our other subsidiaries and transfer pricing had to be within acceptable norms. In fiscal 2004, we established a new subsidiary in China, Dongguan Lite Array, which was also entitled to a Tax Holiday. Dongguan Lite Array started its first profitable year under the Tax Holiday for the calendar year ended December 31, 2007. During the 5<sup>th</sup> Session of the 10<sup>th</sup> National People's Congress of the PRC, which was concluded on March 16, 2007, a unified enterprise income tax law, or EIT, was approved and became effective on January 1, 2008. The EIT Law introduced a wide range of changes which included the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. Subsequently, Dongguan Lite Array qualified as a High and New Technology Enterprise ("HNTE") which entitles it to pay a preferential tax rate of 15% so long as it remains classified as an HNTE. Taxes in China are based upon the financial statements of our two PRC subsidiaries based upon their preparation in accordance with PRC GAAP. Certain inter-company transactions could be interpreted by the local authorities as taxable transactions. In accordance with the provisions of FIN 48, such transactions have been assessed and reflected in the computation of income taxes payable. To the extent that we have income effectively connected with the conduct of a U.S. trade or business in any fiscal year, we would be subject to U.S. taxes at an effective rate up to 55%. We do not believe that our current method of operations subjects us to U.S. taxes. We also established a subsidiary in Macau, China where we conducted sales, marketing, administration and other activities but it was dissolved effective July 2008. Similar to our subsidiaries established in the British Virgin Islands, we are not subject to taxation in Macau although the Hong Kong Inland Revenue Department "HKIRD" has challenged the tax position taken by the Company and we may be subject to additional profits tax in Hong Kong. One of the Company's wholly-owned subsidiaries is currently under examination by the HKIRD. The final outcome of this tax audit is not determinable at this time.

**Net income (loss).** Net income for the group for fiscal 2012 was \$1.4 million, or \$0.46 per share, as compared to a net loss of \$4.0 million, or \$1.32 per share for fiscal 2011.

## **B. *Liquidity and Capital Resources.***

Our primary source of financing historically has been cash generated from operating activities. During fiscal 2013, our net cash provided by operating activities was approximately \$9.9 million as compared to approximately \$13.4 million net cash provided by operating activities in fiscal 2012. This reflects the net loss of \$2.0 million recorded in fiscal 2013 compared with a net income of \$1.4 million in fiscal 2012. Receivables in fiscal 2013 decreased \$10.6 million, deposits and other assets increased \$4.3 million and our other operating assets and liabilities decreased \$2.1 million, compared to a decrease in receivables, inventories and other operating assets and liabilities in fiscal 2012 of \$5.3 million, \$5.5 million and \$4.9 million, respectively. The decrease in working capital in fiscal 2013 of \$8.6 million was due primarily to our \$3.0 million payment of cash dividends and \$7.6 million purchase of property, plant and equipment.

Working capital as of March 31, 2013 was \$45.4 million compared to \$54.0 million as of March 31, 2012. Cash and cash equivalents, time deposits, restricted cash and short-term investments increased \$0.6 million. Our cash and cash equivalents and restricted cash amounted to \$47.0 million as of March 31, 2013. Of this \$24.5 million (of which \$23.7 million was originally denominated in RMB, equivalent to RMB147.1 million) was in banks in the PRC, \$13.6 million in banks in Hong Kong and the balance with financial institutions in the US. Our short-term bank loans in the PRC amounted to RMB30.0 million and RMB25.2 million (equivalent to \$4.8 million and \$4.0 million) as of March 31, 2013 and 2012, respectively. Our borrowing capacity is limited to the amount of cash we have on deposit so we have not effectively been extended credit and we are not likely to be extended credit in the PRC in the future. All of our cash and related short-term deposits and short-term investments are in very short-term safe securities.

Accounts and bills receivable were \$19.7 million at the end of fiscal 2013, compared to \$30.3 million at the end of fiscal 2012. Receivables at March 31, 2013 represented 89 days of net sales compared to 89 days of sales from continued and discontinued

operations at March 31, 2012. Accounts and bills receivable for electronic components and EMS businesses represented 88 days and 100 days, respectively, of sales in fiscal 2013. Our large CCM customers in China are granted credit terms and as is customary in the PRC, the bills they issue typically mature after 90 days, therefore we expect our domestic receivables to continue increasing in fiscal 2013 as sales in the PRC increase.

Our aggregate capital expenditures during fiscal 2013 and 2012 were \$7.6 million and \$0.8 million, respectively. Capital expenditures in fiscal 2013 primarily included expansion of existing clean room space and purchase of equipment and machinery, most of which was related to our COB facility. Our capital commitments as of March 31, 2013 and 2012 were approximately \$4,211,595 and \$169,682, respectively. The significant commitment as of March 31, 2013 is for the purchase of office space in Shenzhen.

Our revolving credit facilities are provided Standard Chartered Bank, Industrial and Commercial Bank of China Ltd., Agricultural Bank of China and China Construction Bank Corporation with an aggregate facilities limit of approximately \$15.9 million, as of March 31, 2013. The amounts payable each month on the revolving credit facilities varies depending upon the amounts drawn at the time. Our outstanding borrowings traditionally vary according to our seasonal working capital requirements but as of March 31, 2013, banking facilities of RMB30.0 million (equivalent to US\$4.8 million) were utilized. (See Note 14—Short-term bank loans and Banking Facilities of Notes to Consolidated Financial Statements.)

We are in compliance with all of the covenants entered into with our banks in connection with the revolving credit agreements and have been in compliance during all periods presented. In addition, we have not entered into any cross-default provision in our debt agreements with our banks. However, since the agreements are subject to periodic review by our banks, which may result in changes of their terms and conditions, there can be no assurance that our agreements will not be subject to cross-default provisions in the future.

We anticipate that cash from operating activities and our quick assets will adequate to satisfy our capital requirements for at least the next two years.

**Inflation.** For the last five years inflation in Hong Kong has ranged from (1.6%) to 7.9% (approximately 4.1% during 2012 and 3.8% for the first four months of 2013). Currently inflation in Hong Kong has little effect on our operations as much of our costs are fixed and wage increases are discretionary.

While the appreciation of the Renminbi has had the biggest impact on the Company's competitiveness, we also have been impacted by wage and utility inflation in China, particularly in the last few years. While the official inflation rate has abated recently due to the slowdown in manufacturing, it is still reported as approximately 5% per annum.

**Currency and exchange rates.** The functional currency of the Company is the U.S. dollar. The functional currencies of our subsidiaries in locations outside the U.S. are either the respective local currencies or the U.S. dollar. Most of our sales are denominated in RMB since only our export sales are made in US\$. With the growth of our PRC Telecom business and the discontinuance of home appliance business, most of our revenues in the future will be in RMB. The majority of our expenses, including salaries and wages and other production and administrative costs are denominated in Hong Kong dollars and RMB. Certain raw materials and capital equipment are purchased using a variety of currencies including the U.S. dollar, RMB, Japanese yen and the EURO, but the majority of purchases are made in RMB. In prior years, we have not been significantly affected by exchange rate fluctuations and therefore have not needed to hedge our positions. However, in the event that the Renminbi continues to appreciate against the U.S. dollar we may need to reconsider whether hedging our positions is appropriate. (See Note 3(q) of Notes to Consolidated Financial Statements.)

**Application of Critical Accounting Policies.** The Company believes the following critical accounting policies and estimates used in the preparation of its consolidated financial statements can affect its results of operations. The policies set forth below require management's most subjective or complex judgments, often as a result of the need to estimate the effect of matters that are inherently uncertain.

- **Valuation of long-lived assets.** The Company evaluates long-lived assets, such as property, plant and equipment or an other asset group, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact 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 FASB ASC 360 "Property, Plant and Equipment". When these events occur, the Company evaluates the impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company would recognize an impairment loss based on the excess of the carrying amount of the assets over their recoverable amount. During the fiscal years ended March 31, 2013, 2012 and 2011, impairment losses of nil, \$1,230,727 and nil, respectively relating to property, plant and equipment were recognized in the consolidated statements of operations and comprehensive income.

- Warranty cost. The Company estimates the warranty cost for defective products based on various factors including the likelihood of defects, an evaluation of our quality controls over the manufacturing processes, technical analysis, industry information on comparable companies and our history. Based on the above criteria, the Company has accrued for warranty costs of \$403,627, \$729,528 and \$296,410 as of March 31, 2013, 2012 and 2011, respectively. The basis and the amount of the warranty accrual are reviewed and adjusted to reflect actual experience.
- Deferred tax valuation allowance. The Company accounts for income taxes in accordance with 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. For financial reporting purposes, the Company established valuation allowances by tax jurisdiction for deferred tax assets which management believes it is more likely than not that the deferred tax assets will not be realized in the foreseeable future. As of March 31, 2013 and 2012, the Company had tax losses carried forward of \$23,591,422 and \$20,843,486 respectively, which included tax losses of \$4,114,021 and \$2,196,670 respectively that are available indefinitely for offsetting future taxable income of the companies in which these losses arose. Tax losses of \$19,477,401 and \$18,646,816 as at March 31, 2013 and 2012, respectively, may be carried back for 2 years or carried forward for 20 years from the year the tax losses arose. Since tax returns have to be filed for each subsidiary in the jurisdiction in which it operates, management has to assess whether transfer pricing or expense allocations could be challenged by the authorities based on the technical merits of the tax positions taken and probable outcome of a tax assessment. Based on an evaluation of these uncertain tax positions, we have to estimate the potential income tax expense and any related penalties and interest. This has resulted in significant income tax expense being accrued in previous loss years since not all subsidiaries are in a loss position for tax purposes and there is no off-setting allowed between subsidiaries in the PRC and Hong Kong.
- Inventory reserves. Inventories are stated at the lower of cost or market value. Cost, calculated on the weighted average basis, comprises direct materials and, where applicable, direct labor and an appropriate proportion of production overheads. For the fiscal years ended March 31, 2013 and 2012, write-downs of inventories to fair market value of \$867,312 and \$932,848, respectively, were recognized in the consolidated statements of operations and comprehensive income.
- Allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Whenever it is clear that the amounts are deemed to be uncollectible, receivables are written off against the allowance for doubtful accounts.
- Contingencies. The Company accounts for various uncertain events, or contingencies in accordance with FASB ASC 450 “Contingencies”. Under FASB ASC 450, contingent losses must be accrued if available information indicates it is probable that the loss has been or will be incurred given the likelihood of the uncertain event, and the amount of the loss can be reasonably estimated. Management judgment is required in deciding the amount and timing of any accrual for a contingency. For example, legal proceedings are inherently uncertain, and in order to determine the amount of any reserves required, the Company assesses the likelihood of any adverse judgment or outcomes in any litigation, as well as potential ranges of probable losses. However, the actual results may differ from such estimates and the difference may be material.
- Uncertain tax provision. As of March 31, 2013, the Company has recognized \$4,879,338 of liabilities for unrecognized tax benefits and, in addition, \$651,721 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 statutes 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, 2013, the Company classified \$4,879,338 of its liabilities for unrecognized tax benefits and \$651,721 of interest and penalties as current liabilities.

### **Recent accounting pronouncements**

- (i) In December 2011, the FASB issued ASU 2011-11, “*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*”, which requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. In January 2013, the FASB issued ASU 2013-01, “*Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Asset and Liabilities*”, which

clarifies the scope of the offsetting disclosures of ASU 2011-11. Both ASUs are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Retrospective presentation for all comparative periods presented is required. The Company believes that its adoption of these ASUs will not have any material impact on its consolidated financial statements.

- (ii) In February 2013, the FASB issued ASU 2013-02, “*Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*”, which requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail on these amounts. This ASU is effective prospectively for reporting periods beginning after December 15, 2012. The Company believes that its adoption of ASU 2013-02 will not have any material impact on its consolidated financial statements.

**C. *Research and development, patents and licenses, etc.***

We spent approximately \$0.8 million, \$0.7 million and \$1.1 million, respectively, on product design and development in each of the fiscal years 2013, 2012 and 2011. These expenses were primarily attributable to salaries and wages for technical staff and prototyping and cost of samples. For a more complete description of our research and development, patents and licenses, etc., see “Item 4.B—Business Overview.”

**D. *Trend information.***

See “Item 5.—“Management’s Discussion and Analysis of Financial Condition and Results of Operation” for discussion of the most significant recent trends in our business since the last fiscal year.

### E. *Off-balance sheet arrangements.*

The Company has no off-balance-sheet arrangements such as guarantees, derivative securities, retained interests or variable interests that have, or are reasonably likely to have, a material effect on the Company's financial condition, revenue and expenses, results of operations, liquidity, capital expenditures and capital resources.

### F. *Tabular Disclosure of Contractual Obligations:*

The following is a schedule reflecting our aggregate financial commitments as of March 31, 2013:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>More than 5 years</u>
Capital Commitments <sup>(1)</sup>	4,211,595	4,211,595	—	—	—
Operating Lease Commitments <sup>(2)</sup>	11,115,959	754,386	727,184	704,956	8,929,433
<b>Total Contractual Obligations</b>	<b>15,327,554</b>	<b>4,965,981</b>	<b>727,184</b>	<b>704,956</b>	<b>8,929,433</b>

<sup>(1)</sup> Our capital commitments are for the purchase of property, plant and equipment.

<sup>(2)</sup> The Company has various operating lease agreements for parking lots, motor vehicles, equipment and real estate that extend through 2043.

## Item 6. **Directors, Senior Management and Employees.**

### A. *Directors and senior management.*

Our directors and senior management at March 31, 2013 are set forth below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
John C.K. Sham <sup>(1)</sup>	50	Chairman, Chief Executive Officer, Acting Chief Financial Officer and Director
Brian Yuen <sup>(1)(2)</sup>	57	Chief Executive Officer, Global-Tech USA, Inc. and Director
Patrick Po-On Hui <sup>(2)(3)</sup>	55	Director
Ken Ying-Keung Wong <sup>(3)</sup>	64	Director
Barry J. Buttifant <sup>(3)</sup>	68	Director
Ryan L. Long	34	Vice President and General Counsel, Lite Array Inc.

<sup>(1)</sup> Member of the finance committee.

<sup>(2)</sup> Member of the compensation committee.

<sup>(3)</sup> Member of the audit committee.

**John C.K. Sham** has served as our Chairman since September 2012 and our President and Chief Executive Officer since June 1992. He has served as a director of Global-Tech since July 1991. Effective April 1, 2011 Mr. Sham assumed the role of Acting Chief Financial Officer following the termination of Mr. Leung. Mr. Sham was our Chief Financial Officer from June 1992 through January 2002. Mr. Sham joined us in 1984 as managing director of Kwong Lee Shun Trading Company Limited, a wholly owned subsidiary of ours. From 1982 to 1984, Mr. Sham served as President of Wesi Corp., a New York corporation which specialized in the marketing and distribution of household goods. Mr. Sham is the son of our founder, Mr. Kwong Ho Sham.

**Brian Yuen** joined us in January 1997, was elected to our Board of Directors in August 1997 and became the Chief Executive Officer of our subsidiary Global-Tech USA, Inc. in October 1997. Mr. Yuen serves as the chairman of the finance committee of our Board of Directors and was a consultant to us from March 1994 to December 1996. Prior to joining us, Mr. Yuen served as purchasing manager of Magla Products, Inc., a manufacturer, importer and distributor of household products, from December 1992 to December 1996.

**Patrick Po-On Hui** has served as a director of Global-Tech since March 2000. Mr. Hui is a practicing attorney and has been a partner at Messrs. Iu, Lai & Li since April 2011. From June 1998 to 2010, he was a consultant to, and then appointed as a partner of Robin Bridge & John Liu in 2008, a law firm based in Hong Kong. Mr. Hui was an Associate Partner of the law firm of Johnson Stokes & Master from March 1996 to May 1998 and an Assistant Solicitor of that firm from September 1989 to February 1996.

**Ken Ying-Keung Wong** has served as a director of Global-Tech since June 2001. Dr. Wong is a medical doctor who, since 1995, has maintained a medical practice in Hong Kong. Dr. Wong previously practiced family medicine in Canada from 1977 to 1995.

**Barry J. Buttifant** has served as a director of Global-Tech since November 2003. Dr. Buttifant is currently an executive director of Hsin Chong Construction Group Ltd. (“HCCG”), a non-executive director of Synergis Holdings Limited (“Synergis”) and an independent non-executive director of Giordano International Limited and Daiwa Associate Holdings Limited, all of which are listed on the Stock Exchange of Hong Kong. Dr. Buttifant also serves as a non-executive director of China Nepstar Chain Drugstore Ltd., which is a New York Stock Exchange listed public company.

In July 2010, Dr. Buttifant was an executive director of IDT International Limited. In October 2009, Dr. Buttifant was a director of Mission Hills Group (“MHG”) – corporate finance and prior to this appointment, he was a consultant to the Group since December 2008. Prior to joining MHG, Dr. Buttifant served as a principal of KLC Kennic Lui & Company (“KLC”), a professional accounting firm, and managing director of KLC Transactions Limited. Prior to joining KLC, Dr. Buttifant was the executive director – finance of MHG. In December 2004, Dr. Buttifant was the managing director of Hsin Chong International Holdings Limited, a controlling shareholder of both the construction company HCCG (which was acquired by MHG in November 2007) and a property management service company, Synergis (which was acquired by HCCG in September 2008). Dr. Buttifant was also an alternate director to both public companies. Dr. Buttifant was an operating partner of Baring Private Equity Asia Limited. He was also the managing director of Wo Kee Hong (Holdings) Limited (“Wo Kee Hong”) from 2001 to 2002 and was the Advisor to the board of directors of Wo Kee Hong from 2002 to 2004. Prior to joining Wo Kee Hong, he was the managing director of IDT International Limited for over eight years and had worked for Polly Peck Group and Sime Darby Hong Kong Limited for more than 11 years in the capacity of finance director and managing director.

Dr. Buttifant is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom (“UK”), the Hong Kong Institute of Certified Public Accountants, the UK Chartered Management Institute, the Hong Kong Management Association and the Hong Kong Institute of Directors. He has been awarded an honorary doctorate of Business Administration (honoris causa) by Edinburgh Napier University, United Kingdom.

**Ryan L. Long** joined us in December 2009 as Vice President and General Counsel of our subsidiary, Lite Array, Inc. Prior to joining us, Mr. Long was an Associate with the law firm of Calfee, Halter & Griswold LLP from 2007 to 2009.

No family relationship exists among any of our directors and senior management.

No arrangement or understanding exists between any director or member of senior management and any other person pursuant to which any director or member of senior management was elected to such a position with us.

## **B. Compensation.**

The aggregate direct remuneration paid to all directors and senior management as a group (6 persons) during fiscal 2013 was approximately \$1.2 million. This includes amounts set aside or accrued to provide pension, retirement or similar benefits, but does not include amounts (including business travel, professional and business association dues and expenses) reimbursed to officers and other fringe benefits commonly reimbursed or paid for by companies in Hong Kong.

## **C. Board practices.**

Our articles of association provide for a board of directors of not less than five or more than nine members. Each director is elected to serve until the next annual general meeting of shareholders and until his or her successor has been elected unless a different term is specified. Currently, there are five directors serving on the board of the Company, of which three are independent. See Item 6A—“Directors and senior management” for the service time of our directors.

**Audit committee.** The purpose of the audit committee is to fulfill the board of directors oversight responsibility to the shareholders, potential shareholders and the investment community relating to the integrity of the Company’s financial statements and the financial reporting process, the Company’s compliance with legal and regulatory requirements, the independent auditors’ qualification and independence, the performance of the Company’s independent auditors and the annual independent audit of the Company’s financial statements. In discharging its oversight role, the audit committee is empowered by the Company’s board of directors to investigate any matter brought to its attention. Such investigation can include but is not limited to full access to all books, records, facilities and personnel of the Company and the authority to retain outside counsel or other experts for this purpose.

The Company’s audit committee is governed by a written charter. The functions of the audit committee as enumerated in its charter include:

- assisting the board of directors’ oversight of (1) the integrity of the Company’s financial statements and the financial reporting process, (2) the company’s compliance with legal and regulatory requirements, (3) the independent auditors’ qualifications and independence, (4) the performance of the Company’s independent auditors, and (5) the annual independent audit of the Company’s financial statements;

- the direct responsibility for the appointment, compensation and retention of the independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- regularly reviewing with the independent auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information;
- meeting with the independent auditors to discuss the scope and plans of their audit engagement;
- meeting with our financial management and independent auditors together, and periodically separately, to review matters relating to internal accounting controls over financial reporting;
- reviewing our critical accounting policies and practices and other matters relating to our financial condition including any significant written communications between the independent auditors and management; and
- reviewing with the full board of directors any issues that arise with respect to the quality or integrity of the company's financial statements, compliance with legal or regulatory requirements and the performance and independence of the independent auditors.

The audit committee is currently comprised of Barry J. Buttifant, Patrick Po-On Hui, and Ken Ying-Keung Wong. Mr. Barry J. Buttifant is the chairman of the audit committee.

**Compensation committee.** Our Board of Directors also has a compensation committee. The compensation committee reviews and determines compensation for officers, directors and consultants, as well as bonuses and other incentive programs for employees. As of March 31, 2013, the compensation committee was comprised of Patrick Po-On Hui and Brian Yuen. Mr. Yuen is not considered to be independent since he is also a member of management of the Company.

We do not have, and none of our subsidiaries have, service contracts with any of our directors providing benefits upon termination of employment. We do have an employment agreement with John C.K. Sham that provides for severance benefits in certain circumstances. If Mr. Sham resigns as a result of certain material changes relating to his employment, his agreements entitle him to a lump sum payment equal to the aggregate amount of salary and performance bonus that would have been payable to him through the end of the term of his agreement, continued receipt of other benefits under the agreement for the remainder of the term of his agreement and immediate vesting of his outstanding equity awards. The agreement also generally entitles Mr. Sham to the same severance benefits if he terminates his employment, or his employment is terminated, as a result of a change in control of Global-Tech. If a liquidation plan for Global-Tech is approved by a court or agency of pertinent jurisdiction, Mr. Sham is also entitled to a lump sum payment equal to the aggregate amount of salary and performance bonus that would have been payable to him through the end of the term of his agreement.

#### **D. Employees.**

At March 31, 2013, 2012 and 2011, we employed 2,528, 2,264 and 4,216 persons, respectively, on a full-time basis. Of our employees at March 31, 2013, 21 were located in Hong Kong and, 2,507 in China.

As discussed elsewhere in this annual report, the Company completed its exit from the home appliance business in January 2012. In connection with our exit from the home appliance business, our labor force was significantly reduced as a result of the release of a majority of the employees previously assigned to our home appliance business.

A breakdown of persons employed as of March 31, 2013 by main category of activity is as follows:

<u>Category</u>	<u>No.</u>
Manufacturing	1,725
Production management	46
Finance and administration	193
Receiving and warehousing	77
Quality control	226
Production engineering	42
Product design and development	145
Sales and marketing	69
Human resources	5
	<u>2,528</u>

Since our production levels fluctuate, the number of employees varies from time to time based on our production requirements. During peak production periods in fiscal 2013, we employed a maximum of approximately 3,486 people in our Dongguan factory. Our manufacturing personnel are paid a monthly salary and periodic incentive bonuses and are provided with housing, medical care and subsidized meals in our dormitory complex adjacent to each factory. We have not experienced any significant labor stoppages and we believe that relations with our employees are satisfactory.

Our relationships with our employees in China are subject to the Labor Law of the People’s Republic of China which went into effect on January 1, 1995. The Labor Law regulates, among other things, the number of hours employees may work on a daily and weekly basis, provides allowances for legal holidays, regulates working conditions such as safety and hygiene and provides for various social welfare and employment benefits. We believe that we are in compliance with such regulations. Availability of labor in the future may have a negative impact on our results of operations since demand in Guangdong Province for unskilled manufacturing labor currently exceeds supply.

In June 2007, the National People’s Congress of the PRC enacted new labor legislation called the Labor Contract Law, which became effective on January 1, 2008. It formalizes workers’ rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions. Considered one of the strictest labor laws in the world, among other things, this new law requires an employer to conclude an “open-ended employment contract” with any employee who either has worked for the employer for 10 years or more or has had two consecutive fixed-term contracts. An “open-ended employment contract” is in effect a lifetime, permanent contract, which can only be terminated in specified circumstances, such as a material breach of the employer’s rules and regulations, or for a serious dereliction of duty. Under the new law, downsizing by 20% or more may occur only under specified circumstances, such as a restructuring undertaken pursuant to China’s Enterprise Bankruptcy Law, or where a company suffers serious difficulties in production and/or business operations. The Company took the Labor Contract Law into account and incorporated its requirements into its exit from the home appliance business. Additionally, the severance program was established in accordance with the law and was supervised, at our request, by the appropriate authorities within the Dongguan local authority.

#### E. Share ownership.

The following table sets forth information regarding the share ownership in Global-Tech as of June 30, 2013 held by the directors and senior management and options granted to them on our common shares:

<u>Name of Owner<sup>(1)</sup></u>	<u>Number of Shares</u>	<u>Percentage#</u>
Wing Shing Holdings Company Limited <sup>(2)</sup>	688,797	22.6%
John C.K. Sham <sup>(3)</sup>	1,013,624	31.5
Brian Yuen <sup>(4)</sup>	102,803	3.3
Barry J. Buttifant <sup>(5)(6)</sup>	14,250	*
Patrick Po-On Hui <sup>(5)(6)</sup>	5,250	*
Ken Ying-Keung Wong <sup>(5)(6)</sup>	3,250	*
Ryan L. Long <sup>(5)(6)</sup>	15,000	*
All officers and directors as a group (6 persons) <sup>(7)</sup>	1,154,177	34.5

\* Less than 1%

# In accordance with SEC rules, each beneficial owner’s holdings have been calculated assuming full exercise of outstanding options covering our common shares, if any, exercisable by such owner within 60 days after June 30, 2013, but no exercise of options covering our common shares held by any other person.

(1) Unless otherwise indicated, the persons named in the table above have sole voting and dispositive power with respect to all common shares beneficially owned by them.

(2) The share ownership of Wing Shing Holdings Company Limited is held 44.0% by the estate of Kwong Ho Sham and 56.0% by John C.K. Sham. Prior to the passing of Kwong Ho Sham, voting control of Wing Shing Holdings Company Limited (“Wing Shing Holdings”) was held approximately 34.3% by Kwong Ho Sham and 65.7% by John C.K. Sham. Following Kwong Ho Sham’s passing, John C.K. Sham assumed 100% voting control of Wing Shing Holdings. During fiscal 2014, the shares of the Company owned by Wing Shing Holdings will be distributed to its two shareholders. The estate of Kwong Ho Sham will receive 303,070 shares, which will be gifted to a charitable trust, and 385,727 shares of the Company will be distributed to John C.K. Sham.

(3) Includes 688,797 shares owned by Wing Shing Holdings and 181,250 common shares issuable to John C.K. Sham within 60 days after June 30, 2013 upon exercise of options granted under our 1997 and 2005 Stock Option Plans and the 2011 Omnibus Equity Plan. Excludes 600,000 shares owned by the mother of John C.K. Sham, 300,000 shares owned by the wife of John C.K. Sham and 300,000 shares owned by the daughter of John C.K. Sham. Mr. John C.K. Sham disclaims any beneficial ownership in such shares.

- (4) Includes 89,751 common shares issuable to Brian Yuen within 60 days after June 30, 2013 upon exercise of options granted under our 1997 and 2005 Stock Option Plans and the 2011 Omnibus Equity Plan. Excludes 1,976 shares owned by the wife and son of Mr. Yuen. Mr. Yuen disclaims any beneficial ownership in such shares.
- (5) Each of Barry J. Buttifant, Patrick Po-On Hui, Ken Ying-Keung Wong and Ryan L. Long own less than 1% of the issued and outstanding common shares as of June 30, 2013.
- (6) Includes 13,000, 5,250, 3,250 and 15,000 shares issuable to Messrs. Buttifant, Hui, Wong and Long, respectively, within 60 days after June 30, 2013 upon exercise of options granted under the 1997 and 2005 Stock Option Plans, and Omnibus Equity Plan.
- (7) Includes 688,797 common shares owned by Wing Shing Holdings and 307,501 common shares beneficially owned by or issuable to various officers and directors within 60 days after June 30, 2013 upon exercise of options granted under our 1997 and 2005 Stock Option Plans and the 2011 Omnibus Equity Plan.

Our directors and senior management do not have different voting rights.

**Amended and Restated 1997 Stock Option Plan of Global-Tech.** The Amended and Restated 1997 Stock Option Plan (the “1997 Plan”) was adopted by our Board of Directors in September 1997. Prior to its expiration, the 1997 Plan provided for the grant of:

- options that are intended to qualify as incentive stock options, or ISOs, within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986 to employees; and
- options not intended to qualify as ISOs to employees and consultants.

The 1997 Plan is administered by the Board of Directors, or a committee of directors appointed by the Board, which determines:

- the terms of the options, including the exercise price;
- the number of common shares subject to the option; and
- the terms and conditions of exercise.

No option granted under the 1997 Plan is transferable by the optionee other than by will or the laws of descent and distribution and each vested option is exercisable during the contractual life of the options by such optionee. The exercise price of all ISOs granted under the 1997 Plan must be at least equal to the fair market value of such common shares on the date of grant. With respect to any participant who owns (or is deemed to own) stock possessing more than 10% of the voting rights of our outstanding capital stock, the exercise price of any ISO must be not less than 110% of the fair market value on the date of grant. The term of each option granted under the 1997 Plan may be established by the Board of Directors, or a committee of the board, in its sole discretion; provided, however, that the maximum term of each ISO granted under the 1997 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 our outstanding capital stock, the maximum term is 5 years.

No options issued pursuant to the 1997 Plan were exercised or expired during fiscal 2011.

During fiscal 2012, an aggregate of 1,250 options with exercise prices of \$25.00 and \$30.56 per share were forfeited upon resignation of the relevant participants and 82,167 options with exercise prices between \$19.00 and \$25.00 per share expired, including 65,500 options granted to Directors.

During fiscal 2013, an aggregate of 5,950 options with exercise price of \$15.60 to \$30.56 per share were forfeited upon the termination of the relevant participants’ employment contract.

The 1997 Plan expired on September 17, 2008, after which date no further grants were made.

**1999 Employee Stock Purchase Plan of Global-Tech.** The 1999 Employee Stock Purchase Plan (the “1999 Plan”) was adopted by our Board of Directors in January 1999. The 1999 Plan was approved by our stockholders at our annual meeting of stockholders in March 1999. Prior to its expiration, the total number of common shares available for issuance under the 1999 Plan was 450,000 common shares.

The 1999 Plan is administered by our Board of Directors, or a committee of the board, which determines:

- the participants to be awarded stock grants;
- the number of shares subject to each stock grant, or the formula pursuant to which such number will be determined;
- the date of award and the vesting; and
- expiration terms applicable to each stock grant.

Up to the plan's expiration in 2009, we granted, in the aggregate, net of forfeiture, 63,753 common shares under the 1999 Plan.

**2005 Stock Option Plan of Global-Tech.** The 2005 Stock Option Plan (the "2005 Plan") was adopted by our Board of Directors in October 2005 and approved by the Company's shareholders in November 2005. The plan provides for the grant of:

- options that are intended to qualify as incentive stock options, or ISOs, within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986 to employees; and
- options not intended to qualify as ISOs to employees and consultants.

The plan is administered by the Board of Directors, or a committee of outside directors appointed by the board, which determines:

- the terms of options, including the exercise price;
- the number of common shares subject to the option; and
- the terms and conditions of exercise.

No option granted under the 2005 Plan is transferable by the optionee other than by will or the laws of descent and distribution and each option is exercisable during the lifetime of the optionee only by such optionee. The exercise price of all ISOs granted under the 2005 Plan must be at least equal to the fair market value of such common shares on the date of grant. With respect to any participant who owns (or is deemed to own) stock possessing more than 10% of the voting rights of our outstanding capital stock, the exercise price of any ISO must be not less than 110% of the fair market value on the date of grant. The term of each option granted under the 2005 Plan may be established by the Board of Directors, or a committee of the board, in its sole discretion; provided, however, that the maximum term of each ISO granted under 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 our outstanding capital stock, the maximum term is 5 years.

The total number of common shares available for options under the 2005 Plan is 450,000 shares. We have granted options to purchase on the dates and in the amounts indicated below:

- During fiscal 2011, 20,000 options were granted and none were forfeited.
- During fiscal 2012, no options were granted and none were forfeited.
- During fiscal 2013, no options were granted and none were forfeited.

**Global-Tech Advanced Innovations Inc. 2011 Omnibus Equity Plan.** The Global-Tech Advanced Innovations Inc. 2011 Omnibus equity Plan (the "Omnibus Plan") was adopted by our Board of Directors in October 2010 and approved by the Company's shareholders in November 2010. The plan provides for the grant of stock options (non-statutory and incentive), stock appreciation rights, restricted stock units, performance shares and common shares.

A committee authorized by the Board of Directors (the "Committee") will administer the Omnibus Plan. Unless otherwise determined by the Board of Directors, the Compensation Committee will administer the Omnibus Plan. Subject to the terms of the Omnibus Plan, the Committee has the sole discretion to select the employees, consultants, and non-employee directors who will receive awards, determine the terms and conditions of awards, and to interpret the provisions of the Omnibus Plan and outstanding awards. The Committee may not, without the approval of the Company's shareholders, institute an exchange program under which outstanding awards are amended to provide for a lower exercise price or surrendered or cancelled in exchange for awards with a lower exercise price.

Awards granted under the Omnibus Plan are generally not transferable, and all rights with respect to an award granted to a participant generally will be available during a participant's lifetime only to the participant. If the Committee makes an award transferable, such award will contain such additional terms and conditions as the committee deems appropriate.

The total number of common shares available for awards under the Omnibus Plan is 400,000 shares.

No shares were granted under the Omnibus Plan during fiscal years 2012 and 2011.

During fiscal 2013, 73,000 options were granted to officers and directors, 5,000 options to an employee and 8,000 options to a consultant.

**Share compensation.** Effective April 1, 2006, the Company adopted the provisions of 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 stock-based compensation plans. Accordingly, stock compensation cost is measured on the date of grant, based on fair value which is estimated using the Black-Scholes option pricing model. The compensation cost is amortized over the vesting period of the options using the straight-line method provided that the amount of compensation cost

recognized at any date must at least equal the portion of the grant-date value of the award that is vested at that date. Prior to the adoption of SFAS No. 123 (R), we applied the intrinsic-value basis prescribed in Accounting Principles Board (“APB”) opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations in accounting for employee stock options.

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

As of March 31, 2013, 2012 and 2011, there were unrecognized share-based compensation costs of nil, \$1,969 and \$1,969, respectively, relating to stock granted to an employee under the 1999 Employee Stock Purchase Plan. The unrecognized compensation cost for stock granted is 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.

We also have granted options to consultants and accounted for such options under the fair value method. We amortize share-based compensation expense over the vesting periods of the related options.

## **Item 7. Major Shareholders and Related Party Transactions.**

### **A. Major shareholders.**

The following table sets forth information regarding the share ownership in Global-Tech as of June 30, 2013 of shareholders that are beneficial owners of 5% or more of our outstanding common shares:

<u>Name of Owner</u>	<u>Number of Shares</u>	<u>Percentage</u>
Shun Chi Hui	600,000	19.7%
Jenny, Meng Chen Tsai	300,000	9.9%
Estee M.Y. Sham	300,000	9.9%
Wing Shing Holdings Company Limited <sup>(1)(2)</sup>	688,797	22.6%

<sup>(1)</sup> The share ownership of Wing Shing Holdings Company Limited was held 44.0% by the estate of Kwong Ho Sham and 56.0% by John C.K. Sham. Voting control of Wing Shing Holdings Company Limited was held approximately 34.3% by estate of Kwong Ho Sham and 65.7% by John C.K. Sham. Kwong Ho Sham passed away on July 11, 2011. Following Kwong Ho Sham’s passing, John C.K. Sham assumed 100% voting control of Wing Shing Holdings.

<sup>(2)</sup> In June 2011, Kwong Ho Sham established a trust that would own his portion of Wing Shing Holdings Company Limited (“Wing Shing Holdings”) shares in the Company. Upon his passing, 303,070 shares owned by Wing Shing Holdings would go into this trust and 385,727 shares owned by Wing Shing Holdings would be transferred to John C.K. Sham. As of June 30, 2013, the transfer had not been officially executed but is expected to occur during fiscal 2014. John C.K. Sham as a trustee of his father’s charitable trust will decline beneficial ownership of any of the trust’s shares.

Our major shareholders have the same voting rights as all holders of our common shares.

As of June 30, 2013, approximately 78.0%, of our outstanding common shares were held in the United States by 6 holders registered on the books of our transfer agent.

As disclosed elsewhere in this annual report, the Company’s directors, members of our directors’ families, and entities directed and controlled such persons own approximately 67.3% of our outstanding shares. As a result, certain of our directors and their family members, together with jointly controlled entities, are in a position to control our activities and policies. To the best of our knowledge, aside from the entities, directors and members of their family identified above and elsewhere in this report, we are not directly or indirectly controlled or owned by any other corporation, foreign government or any other natural or legal person, and we are not subject to any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

### **B. Related party transactions.**

- In April 2008, we entered into renewal lease agreements with Wing Shing Products Company Limited (“Wing Shing Products”), a company owned by John Sham, for offices and warehouses located in Hong Kong with a total area of 25,690 square feet, which was occupied by our executive officers, administrative group and warehouse staff at a rate totaling approximately \$173,000 per annum. On January 1, 2012, we amended the lease agreement with Wing Shing Products that reduced the total area to 11,010 square feet at a rate totaling approximately \$70,786 per annum. In April 2012, we amended the lease agreement with Wing Shing Products to increase the rent to \$113,043 per annum. In February 2013, we further reduced the total rental space to 7,340 square feet and the rent to \$75,360 per annum.

- In addition to the office and warehouse space described above, the Company also entered into automobile lease agreement with Wing Shing Products. Monthly rental for the vehicle is approximately \$4,800, which is the estimated fair value of rental or lease rates in Hong Kong for similar vehicles.

The total expense incurred for the real estate and automobile leases described above for the fiscal years ended March 31, 2013, 2012 and 2011 was approximately US\$164,096, US\$189,832 and US\$291,597, respectively. These expenses were payable to Wing Shing Products. The amounts due are unsecured, interest-free and have no fixed terms of repayment. We believe the leases are on terms no less favorable to the Company than could have been received from unaffiliated third parties.

#### **Our Policy Concerning Related Party Transactions**

All transactions with our executive officers and directors must be approved by a majority of our disinterested directors.

#### **C. *Interests of experts and counsel.***

Not applicable.

### **Item 8. Financial Information.**

#### **A. *Consolidated statements and other financial information.***

Our consolidated financial statements for fiscal 2013, 2012 and 2011 have been prepared in accordance with U.S. GAAP and audited by an independent registered public accounting firm in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB). A consolidated balance sheet is presented for each of fiscal 2013 and 2012 along with a consolidated statement of operations and comprehensive income, statement of cash flows and statement of changes in shareholders' equity which are presented for each of fiscal 2013, 2012 and 2011. See "Item 18—Financial Statements" for detailed financial information.

#### **Percentage of Export Sales**

Export sales from China constitute approximately 98.9% of our combined continued and discontinued sales volume. For a breakdown of our export sales by market during the past three fiscal years, see Note 24(b) of Notes to Consolidated Financial Statements. We did not conduct any activities nor make any sales in any regions or countries subject to U.S. economic sanctions.

#### **Legal Proceedings**

Global-Tech and its subsidiaries are not a party in any material litigation or arbitration. However, we may occasionally become subject to various legal actions related to performance under contracts, product liability, taxes, employment, intellectual property and other matters, several of which actions claim substantial damages, in the ordinary course of business.

#### **Dividends**

We are a holding company and have no business operations other than ownership of our subsidiaries. In the event that we decide to pay cash dividends, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and our other holdings and investments. In addition, our operating subsidiaries from time to time may be subject to restrictions on their ability to make distributions to us as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions, including withholding tax on dividend income and contribution to statutory reserve. Restrictions on currency conversion may be in effect from time to time but have not had a material effect on us to date.

During fiscal year 2013, the Company's Board of Directors approved a special cash dividend of \$1.00 per share that was paid on September 5, 2012 to shareholders of record at the close of business on August 22, 2012. The dividend payment was made following the completion of the Company's exit from the home appliance business, which provided relief to the Company's working capital requirements and presented an opportunity to return capital to the Company's shareholders while still maintaining the resources necessary to support growth.

#### **B. *Significant change.***

Not Applicable.

**Item 9. The Offer and Listing.****A. Offer and listing details.**

Our common shares began trading on the New York Stock Exchange, or NYSE, under the symbol “GAI” on April 8, 1998. Effective December 10, 2008, Global-Tech’s common stock was no longer traded on the NYSE and commenced trading on the Nasdaq Stock Market (“Nasdaq”). The following table lists the high and low market prices on the NYSE and Nasdaq for the periods indicated.

	Pre-split		Adjustment to reflect 4-for-1 reverse stock split	
	High	Low	High	Low
<b>Fiscal 2009:</b>				
Annual	—	—	16.08	6.00
<b>Fiscal 2010:</b>				
Annual	—	—	13.37	6.40
<b>Fiscal 2011:</b>				
Annual	—	—	12.51	6.78
<b>Fiscal 2012:</b>				
First Quarter	—	—	7.53	4.00
Second Quarter	—	—	4.65	3.03
Third Quarter	—	—	3.91	2.68
Fourth Quarter	—	—	6.90	3.26
Annual	—	—	7.53	2.68
<b>Fiscal 2013:</b>				
First Quarter	—	—	9.94	4.75
Second Quarter	—	—	9.40	4.26
Third Quarter	—	—	7.40	4.47
Fourth Quarter	—	—	11.98	6.53
Annual	—	—	11.98	4.26
<b>Most Recent Six Months:</b>				
January 2013	—	—	9.64	6.53
February 2013	—	—	9.89	7.84
March 2013	—	—	11.98	7.84
April 2013	—	—	8.93	6.00
May 2013	—	—	9.95	7.26
June 2013	—	—	11.85	8.03

**B. Plan of distribution.**

Not applicable.

**C. Markets.**

See “Item 9.A—The Offer and Listing—Offer and Listing Details” above.

**D. Selling shareholders.**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the issue.**

Not applicable.

## **Item 10. Additional Information.**

### **A. Share capital.**

Not applicable.

### **B. Memorandum and articles of association.**

#### **Objects and Purposes**

Our “objects and purposes” are described in Clause 5 of our memorandum of association and generally allow us to engage in any act or activity that is not prohibited under British Virgin Islands law.

#### **Directors**

British Virgin Islands law and our articles of association provide that no agreement or transaction between us and one or more of our directors or any entity in which any director has a financial interest or to which any director is related, including as a director of that other entity, is void or voidable for this reason only or by reason only that the director is present at the meeting of directors or at the meeting of the committee of directors that approves the agreement or transaction or that the vote or consent of the director is counted for that purpose if the material facts of the interest of each director in the agreement or transaction and his or her interest in or relationship to any other party to the agreement or transaction are disclosed in good faith or are known by the other directors. In addition, a director who has an interest in any particular business to be considered at a meeting of directors or shareholders may be counted for the purposes of determining whether the meeting is duly constituted.

Our articles of association provide that the directors may, by a resolution of directors, fix the emoluments of directors with respect to services to be rendered in any capacity to us.

British Virgin Islands law and our articles of association provide that our business and affairs shall be managed by our directors, who in addition to the powers and authorities expressly conferred by our articles of association, may also exercise all such powers of the Company as are not by our memorandum, articles of association or British Virgin Islands law required to be exercised by the shareholders.

British Virgin Islands law and our articles of association do not contain an age limit requirement for our directors. Our articles of association do not contain a share qualification for directors.

#### **Rights of Shareholders**

Our memorandum authorizes the issuance of 12,500,000 ordinary shares of \$0.04 each and 250,000 preference shares of \$0.04 each. We do not have any preference shares currently outstanding. The preference shares may be issued by our directors, without further action by shareholders. Our directors also have the right to fix by resolution of directors the designations, powers, preferences, rights, qualifications, limitations and restrictions of the preference shares, such as voting rights (including the right to vote as a series on particular matters), preferences as to dividends and liquidation, conversion and redemption rights and sinking fund provisions.

**Dividend rights.** Subject to the preferential and other dividend rights of any outstanding series of preference shares, holders of our common shares will be entitled to equal dividends per share when, as and if declared by our board of directors. The board 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. See “Item 8.A—Consolidated Statements and Other Financial Information—Dividend Policy.” According to our articles of association, all dividends that remain unclaimed for a period of three years after their declaration may be forfeited by our board of directors for our benefit.

**Voting rights.** Holders of our common shares have one vote for each share held on all matters submitted to a vote of shareholders. Our board of directors is not classified and therefore, all the directors stand for reelection at the same interval.

**Liquidation rights.** In the event we are liquidated or wound up, the holders of our common shares will be treated equally on a per share basis and will be entitled to receive all of our remaining assets following distribution of the preferential and/or other amounts to be distributed to the holders of our preference shares.

**Other provisions.** We have no provisions in either our memorandum or articles of association for redemption or sinking fund provisions, or providing that any shareholder has a right to share in our profits. Our common shares are not subject to further capital calls by us. We have no provisions in our memorandum or articles of association that discriminate against any existing or prospective holder of our common shares as a result of the existing or prospective holder’s owning a substantial number of our common shares.

## **Changes to Rights of Shareholders**

Under our memorandum and articles of association and British Virgin Islands law, our memorandum and articles of association may be amended by a resolution of directors or a resolution of members. This includes amendments

- increasing or reducing our authorized capital,
- authorizing the issuance of different classes of shares, including preference shares, and
- increasing or reducing the par value of our shares.

The directors may also increase our capital without shareholder approval by transferring a portion of our surplus to capital. Or the directors may reduce our capital without shareholder approval, subject to the requirements of British Virgin Island law, by transferring a portion of our capital to surplus. Our memorandum and articles of association provide that differences which may rise between us and any of our shareholders, their executors, administrators or assigns relating to our memorandum and articles of association shall, unless the parties agree to a single arbitrator, be referred to two arbitrators to be chosen by each of the differing parties. No amendment to our memorandum and articles of association will be effective unless and until it is filed with the Companies Registry of the British Virgin Islands.

## **Annual, General and Extraordinary Meetings of Shareholders**

British Virgin Islands law and our articles of association do not require us to hold an annual meeting. We do, however, typically hold an annual meeting of shareholders for the election of directors and for such other business as may come before the meeting.

Under British Virgin Islands law, unless otherwise provided by a company's memorandum or articles of association, the directors may call meetings of shareholders at any time. Our articles of association require the directors to call meetings upon a written request from shareholders holding 30% or more of the outstanding voting shares.

Our articles of association provide that notice of all meetings of shareholders shall be given not fewer than seven days before the date of the proposed meeting to those persons whose names appear as a shareholder in our share register on the date notice is given and are entitled to vote at the meeting. A meeting of shareholders may be called on shorter notice, however, if members holding, in general, at least 90% of the total number of shares entitled to vote on all matters to be considered at the meeting consent or all the shareholders holding shares entitled to vote on all matters to be considered at the meeting waive the right of notice.

## **Limitations on Share Ownership**

British Virgin Islands law and our memorandum and articles of association do not impose any limitations on the right of anyone to own, hold or exercise voting rights to our common shares. British Virgin Islands law does not impose any limitation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our common shares.

## **Indemnity and Insurance**

Our articles of association provide that we may indemnify directors, officers, liquidators and other individuals who act on our behalf or upon our request for liabilities and expenses that they may incur as a result of their actions. We may only indemnify a person who acted honestly and in good faith with a view to our best interests and, in the case of criminal proceedings, if the person had no reasonable cause to believe that his or her conduct was unlawful. The decision of the directors as to whether a person acted honestly and in good faith is, in the absence of fraud, conclusive unless a question of law is involved. We also are entitled under our articles of association to purchase and maintain directors and officers liability insurance.

## **Certain Anti-Takeover Matters**

Under our memorandum and articles of association and the laws of the British Virgin Islands, our memorandum and articles of association may be amended by a resolution of directors or a resolution of members. This includes amendments authorizing the creation of different classes of shares, including preference shares. Our ability to amend our memorandum and articles of association by a resolution of directors could have the effect of delaying, deterring or preventing a change in control of us without any further action by our shareholders including but not limited to, a tender offer to purchase our common shares at a premium over then current market prices. In addition, the issuance of preference shares without shareholder approval, on terms as the board of directors may determine, could adversely affect the voting power of the holders of our common shares, including the loss of voting control to others. Written consent or resolution passed at a meeting of the holders of the relevant shares is required to vary class shareholders' right.

## **Ownership Information**

British Virgin Islands law and our memorandum and articles of association do not provide that information about our shareholders, even those owning significant percentages of our shares, must be disclosed.

## **Differences from United States Law**

In general, the laws of the British Virgin Islands governing the provisions of our memorandum and articles of association discussed above are not significantly different than the laws governing similar provisions in the charter documents of Delaware companies, other than with respect to the holding of an annual meeting for our shareholders and the amendment of our memorandum and articles of association. We are not required by the laws of the British Virgin Islands to hold an annual meeting for our shareholders but we would be required to hold an annual meeting if we were incorporated under Delaware law. If we choose not to hold an annual meeting, then the ability of our shareholders to submit and vote on proposals would be significantly less than that of shareholders in U.S. companies incorporated in Delaware. In addition, our board of directors may amend our memorandum of association under certain circumstances without shareholder approval, whereas Delaware law requires shareholders to approve any amendments to a Delaware corporation's certificate of incorporation.

We are a British Virgin Islands company and our affairs are governed by, among other things, the International Business Companies Act ("IBCA") of the British Virgin Islands. IBCA of British Virgin Islands differs from laws applicable to United States corporations and their shareholders. Since it is impractical and burdensome to list all the difference items, set forth below is a brief description of identifiable differences between the provisions of IBCA applicable to us and those followed by domestic companies under the Nasdaq listing standards.

### *Board composition*

Pursuant to section 42 of IBCA, the business and affairs of a BVI company shall be managed by a board of directors that consists of one or more persons but it is silent on the requirement of having a majority of independent directors. In addition, there is no requirement to evaluate directors' independence from management.

### *Scheduled independent director meeting*

There is no requirement that non-management directors must meet at regularly scheduled executive meetings not attended by management. Under Section 48(1) of IBCA, the directors may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable.

### *Nominating/corporate governance committee*

The Nasdaq listing standards require companies to have a nominating/corporate governance committee comprised of independent directors governed by a written charter establishing minimum requirements. There is no such requirement under BVI rules.

### *Compensation committee*

The Nasdaq listing standards require companies to have a compensation committee comprised entirely of independent directors governed by a written charter establishing certain minimum requirements. There is no such requirement under the BVI rules.

### *Audit committee*

The Nasdaq listing standards require companies to have an audit committee, consisting of a minimum of three independent members of the board of directors governed by a written charter establishing the duties and responsibilities of the audit committee. There is no such requirement under BVI rules. However, we have an audit committee governed by a written charter consisting of three independent directors as defined in Rule 10A-3 of the Exchange Act.

### *CEO Certification*

The Chief Executive Officer must notify Nasdaq in writing if an executive officer of the Company becomes aware of any material non-compliance with Nasdaq corporate governance listing requirements, notwithstanding our status as a foreign private issuer.

### *Code of business conduct and ethics*

The Nasdaq standards require that each listed company adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. We have such a Code adopted for senior financial officers, as is permitted for a foreign private issuer.

### *Indemnification*

Pursuant to subsection 57(1) of IBCA, a company under its Articles or Memorandum, may provide for indemnification for directors and officers, except where their actions are a violation of their fiduciary duties or are performed in a willfully negligent

manner. It also provides for reimbursement of all expenses including legal fees and indemnifications against civil fraud or the consequence of committing a crime. However, the SEC provides for reimbursement to the Company by chief executive officers and chief financial officers of bonuses, or other incentive-based compensation and stock sale profits during the year following an accounting restatement due to material noncompliance or as a result of misconduct.

#### *Inspection of books and records*

Subsection 67(4) of IBCA allows a company to refuse a request from shareholders or their attorneys to inspect the share register, the books and records and contracts kept by a company, if the Company, by resolution of its directors, determines that it is not in the best interest of the Company to do so. However, we are required to provide shareholders and the Nasdaq certain material information under Nasdaq rules.

#### **C. *Material Contracts.***

Not applicable.

#### **D. *Exchange controls.***

##### **General**

There are currently no limitations either under British Virgin Islands or U.S. law or in our articles of association to the rights of shareholders to hold or vote common shares, or to pay dividends, interest or other payments to nonresident shareholders. There are currently no restrictions in the British Virgin Islands regarding our export and import of capital, including the availability of cash and cash equivalents for use by our affiliated companies.

#### **E. *Taxation.***

### **Material United States Federal Income Tax Consequences**

The discussion below is for general information only and is not, and should not be interpreted to be, tax advice to any holder of our common shares. Each holder or a prospective holder of our common shares is urged to consult his, her or its own tax advisor.

#### *General*

This section is a general summary of the material United States federal income tax consequences to U.S. Holders, as defined below, of the ownership and disposition of our common shares as of the date of this report. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, the applicable Treasury regulations promulgated and proposed thereunder, judicial decisions and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. The summary applies to you only if you hold our common shares as a capital asset within the meaning of Section 1221 of the Code. In addition, this summary generally addresses certain U.S. federal income tax consequences to U.S. Holders if we were to be classified as a PFIC. The United States Internal Revenue Service, or the IRS, may challenge the tax consequences described below, and we have not requested, nor will we request, a ruling from the IRS or an opinion of counsel with respect to the United States federal income tax consequences of acquiring, holding or disposing of our common shares. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the ownership of our common shares. In particular, the discussion below does not cover tax consequences that depend upon your particular tax circumstances nor does it cover any state, local or foreign law, or the possible application of the United States federal estate or gift tax. You are urged to consult your own tax advisors regarding the application of the United States federal income tax laws to your particular situation as well as any state, local, foreign and United States federal estate and gift tax consequences of the ownership and disposition of the common shares. In addition, this summary does not take into account any special United States federal income tax rules that apply to a particular U.S. or Non-U.S. holder of our common shares, including, without limitation, the following:

- a dealer in securities or currencies;
- a trader in securities that elects to use a market-to-market method of accounting for its securities holdings;
- a financial institution or a bank;
- an insurance company;
- a tax-exempt organization;
- a person that holds our common shares in a hedging transaction or as part of a straddle or a conversion transaction;
- a person whose functional currency for United States federal income tax purposes is not the U.S. dollar;
- a person liable for alternative minimum tax;

- a person that owns, or is treated as owning, 10% or more, by voting power or value, of our common shares;
- certain former U.S. citizens and residents who have expatriated; or
- a person who receives our shares pursuant to the exercise of employee stock options or otherwise as compensation.

#### *U.S. Holders*

For purposes of the discussion below, you are a “U.S. Holder” if you are a beneficial owner of our common shares who or which is:

- an individual United States citizen or resident alien of the United States (as specifically defined for United States federal income tax purposes);
- a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any State or the District of Columbia;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust (a) if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust or (b) if it was in existence on August 20, 1996, was treated as a United States person prior to that date and has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding our common shares, you should consult your tax advisor.

#### **Distributions**

Subject to the “passive foreign investment company” (“PFIC”) rules discussed below, for cash dividends, the gross amount of any such distribution (other than in liquidation) that you receive with respect to our common shares generally will be taxed to you as dividend income to the extent such distribution does not exceed our current or accumulated earnings and profits (“E&P”), as calculated for U.S. federal income tax purposes. Such income will be includable in your gross income as ordinary income on the date of receipt. Dividends received by individuals and certain other non-corporate taxpayers in tax years before January 1, 2011 from “qualified foreign corporations” are taxed at the rate of either 5 percent (zero, for tax years beginning in 2009, 2010 and 2011) or 15 percent, depending upon the particular taxpayer’s U.S. federal income tax bracket; provided that the recipient-shareholder has held his or her shares as a beneficial owner for more than 60 days during the 121-day period beginning on the date which is 60 days before the shares’ ex-dividend date. Dividends received in tax years beginning on or after December 31, 2012 will be taxed at higher ordinary income tax rates. A foreign corporation is a “qualified foreign corporation” if the stock with respect to which it pays dividend is traded on an established securities market in the United States, provided that the foreign corporation is not a PFIC. Our stock is traded on an established securities market in the United States, although we cannot guarantee that our stock will be so traded in the future.

We believe that we were not a PFIC for U.S. federal income purposes for our fiscal years ended March 31, 2012 and 2013. No assurance can be given, however, that the IRS may not agree and seek to treat us as a PFIC. See “Passive Foreign Investment Company (PFIC)” below. If we are a PFIC with respect to a particular U.S. Holder, dividends received from us will be taxed at regular ordinary income tax rates. Holders of our shares should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

To the extent any distribution exceeds our E&P, the distribution will first be treated as a tax-free return of capital to the extent of your adjusted tax basis in our common shares and will be applied against and reduce such basis on a dollar-for-dollar basis (thereby increasing the amount of gain and decreasing the amount of loss recognized on a subsequent disposition of such shares). To the extent that such distribution exceeds your adjusted tax basis, the distribution will be taxed as gain recognized on a sale or exchange of our common shares. See “Sale, Exchange or Other Disposition of Our Common Shares,” below. Because we are not a U.S. corporation, no dividends-received deduction will be allowed to corporations with respect to dividends paid by us.

For United States foreign tax credit limitation purposes, dividends received on our common shares will be treated as foreign source income and will generally be “passive category income”, or in the case of certain holders, “general category income.” You may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of foreign withholding taxes, if any, imposed on dividends paid on our common shares. The rules governing United States foreign tax credits are complex, and we recommend that you consult your tax advisor regarding the applicability of such rules to you.

## **Sale, Exchange or Other Disposition of Our Common Shares**

Subject to the PFIC rules discussed below, generally, in connection with the sale, exchange or other taxable disposition of our common shares:

- you will recognize a capital gain or loss equal to the difference (if any) between:
- the amount realized on such sale, exchange or other taxable disposition and
- your adjusted tax basis in such common shares (your adjusted tax basis in the shares you hold generally will equal your U.S. dollar cost of such shares);
- such gain or loss will be a long-term capital gain or loss if your holding period for our common shares is more than one year at the time of such sale or other disposition;
- such gain or loss will generally be treated as United States source for United States foreign tax credit purposes; and
- your ability to deduct capital losses is subject to limitations.

## **Passive Foreign Investment Company (PFIC)**

A U.S. Holder generally would be subject to a special tax regime (that differs in certain material respects from that described above) if we were a PFIC at any time during which such Holder held our shares.

An actual determination of PFIC status is factual in nature and cannot be made until the close of the applicable tax year. Based on the composition of our annual gross income and the nature and book value of our assets and the total market value, or market cap, of our shares at the end of each quarter of our fiscal years ended March 31, 2012 and 2013, we believe that we were not a PFIC for U.S. federal income purposes for our fiscal years ended March 31, 2012 or 2013. No assurance can be given, however, that the IRS may not agree and seek to treat us as a PFIC.

We have not conducted an appraisal of the actual fair market value of our assets to support our conclusion regarding our PFIC status. If we conducted such an appraisal, it might not result in a fair market value of our assets being sufficiently greater than the aggregate value of our market capital to support our conclusion regarding our PFIC status. Even if such appraisal did so support our conclusion as to our PFIC status, such appraisal may not be enough to establish to the satisfaction of the IRS that the fair market value of our assets, which would, or we believe should, not be considered “passive,” was sufficiently greater than the aggregate value of our market capital.

A foreign corporation will be treated as a PFIC for United States federal income tax purposes if, after applying relevant look-through rules with respect to the income and assets of subsidiaries, 75% or more of its gross income consists of certain types of passive income (the “income test”) or 50% or more of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”). For this purpose, passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income.

As a result of the classification as a PFIC, a special tax regime would apply to both (a) any “excess distribution” by us (generally, the U.S. Holder’s ratable share of distributions in any year that are greater than 125% of the average annual distributions received by such U.S. Holder in the three preceding years or its holding period, if shorter) and (b) any gain recognized on the sale or other disposition of your ordinary shares. Under the PFIC regime, any excess distribution and recognized gain would be treated as ordinary income. The U.S. federal income tax on such ordinary income is determined under the following steps: (i) the amount of the excess distribution or gain is allocated ratably over the US Holder’s holding period for our ordinary shares; (ii) tax is determined for amounts allocated to the first year in the holding period in which we were classified as a PFIC and all subsequent years (except the year in which the excess distribution was received or the sale occurred) by applying the highest applicable tax rate in effect in the year to which the income was allocated; (iii) an interest charge is added to this tax calculated by applying the underpayment interest rate to the tax for each year determined under the preceding sentence from the due date of the income tax return for such year to the due date of the return for the year in which the excess distribution or sale occurs; and (iv) amounts allocated to a year prior to the first year in the U.S. Holder’s holding period in which we were classified as a PFIC or to the year in which the excess distribution or the disposition occurred are taxed as ordinary income and no interest charge applies. The interest charge is non-deductible by individuals but is generally deductible by corporations.

If we were treated as a PFIC, a U.S. Holder of our shares would generally be subject to the PFIC rules described above with respect to distributions by us, and dispositions by us of the stock of, any direct or indirect subsidiaries of ours that are classified as PFICs under either the “asset test” or the “income test,” as if such holder received directly its pro-rata share of the proceeds from such disposition.

A U.S. Holder may generally avoid the PFIC regime by making a “qualified electing fund” election which generally provides that, in lieu of the foregoing treatment, our earnings, on a pro rata basis, would be currently included in their gross income. However, we may be unable or unwilling to provide information to our U.S. Holders that would enable them to make a “qualified electing fund” election; thus, such election may not be available.

In addition, U.S. Holders may generally avoid the PFIC regime by making the “mark-to-market” election with respect to our common shares as long as we are a PFIC and our common shares are considered to be readily tradable on an established securities market within the United States. “Marking-to-market,” in this context, means including in ordinary income each taxable year the excess, if any, of the fair market value of our common shares over your tax adjusted basis in such common shares as of the end of each year. This “mark-to-market” election generally enables a U.S. Holder to avoid the deferred interest charge that would otherwise be imposed on them if we were to be classified as a PFIC. However, if we were a PFIC, such election would not be available for any of our subsidiaries that also may be classified as PFICs, and those subsidiaries would continue to be subject to the PFIC rules described above.

If we are treated as a PFIC at any time that you hold our shares but cease to be classified as a PFIC in a later year, we will continue to be classified as a PFIC with respect to you unless you make a deemed sale election in a timely manner to be taxed as if you sold your shares on the last day of our last year during which we were treated as a PFIC. In this case, you would pay tax on the gain on the deemed sale treated as ordinary income and an interest charge, and no loss will be allowed to you. A timely deemed sale election can also be made with respect to our subsidiaries that are treated as PFICs, in which case you will be taxed on the amount of gain treated as ordinary income and pay an interest charge as if the stock of such subsidiaries had been actually sold or disposed of by us while we were a PFIC and you held our shares. If we subsequently become a PFIC, you will again be subject to the general PFIC rules discussed herein. We do not expect to monitor our status (or the status of any of our subsidiaries) as a PFIC for the current taxable year or in any future taxable year and, therefore, we may not be able to inform you as whether we have become a PFIC in any given year or whether we have subsequently ceased to be a PFIC.

If we were treated as a PFIC, each U.S. Holder would be required to make an annual return on IRS Form 8621, reporting, among other things, distributions received and gain realized with respect to each PFIC in which such holder holds a direct or indirect interest, and may be required to provide other information as specified by the IRS. In this regard, we note, in particular, that under recently enacted legislation U.S. Holders may be subject to further reporting requirements in connection with the annual filing of their respective U.S. federal income tax returns with respect to shareholdings in foreign corporations, which may include affirming whether or not a foreign corporation in which such U.S. Holder has invested is (or is not) a PFIC irrespective of whether any distributions have been received, the U.S. Holder has disposed of any stock of the foreign corporation, or the foreign corporation has disposed of any stock of its foreign subsidiaries in the relevant taxable year.

An actual determination of PFIC status is highly factual in nature. Given the complexity of the issues that may result if we are classified as or become a PFIC, you are urged to consult your own tax advisors with respect to the tax consequences to you in the event that this should occur, in view of your particular circumstances.

#### *Non-U.S. Holders*

If you are not a U.S. Holder, you are a “Non-U.S. Holder.”

#### **Distributions on Our Common Shares**

You generally will not be subject to U.S. federal income tax, including withholding tax, on distributions made on our common shares unless:

- you conduct a trade or business in the United States and
- the distributions are effectively connected with the conduct of that trade or business (and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax on a net income basis in respect of income from our common shares, such distributions are attributable to a permanent establishment that you maintain in the United States).

If you meet the two tests above, you generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder, as described above. In addition, any effectively connected dividends received by a non-U.S. corporation may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30 percent rate or such lower rate as may be specified by an applicable income tax treaty.

## **Sale, Exchange or Other Disposition of Our Common Shares**

Generally, you will not be subject to U.S. federal income tax, including withholding tax, in respect of gain recognized on a sale or other taxable disposition of our common shares unless:

- your gain is effectively connected with a trade or business that you conduct in the United States (and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax on a net income basis in respect of gain from the sale or other disposition of our common shares, such gain is attributable to a permanent establishment maintained by you in the United States), or
- you are an individual Non-U.S. Holder and are present in the United States for at least 183 days in the taxable year of the sale or other disposition, and certain other conditions exist.

You will be subject to tax in respect of any gain effectively connected with your conduct of a trade or business in the United States generally in the same manner as a U.S. Holder, as described above. Effectively connected gains realized by a non-U.S. corporation may also, under certain circumstances, be subject to an additional “branch profits tax” at a rate of 30 percent or such lower rate as may be specified by an applicable income tax treaty.

## **Backup Withholding and Information Reporting**

Payments, including dividends and proceeds of sales, in respect of our common shares that are made in the United States or by a United States related financial intermediary will be subject to United States information reporting rules. In addition, such payments may be subject to United States federal backup withholding tax. You will not be subject to backup withholding provided that:

- you are a corporation or other exempt recipient, or
- you provide your correct United States federal taxpayer identification number and certify, under penalties of perjury, that you are not subject to backup withholding.

Amounts withheld under the backup withholding rules may be credited against your United States federal income tax, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner.

## **British Virgin Islands Tax Consequences**

Under the International Business Companies Act of the British Virgin Islands as currently in effect, a holder of common equity, such as our common shares, who is not a resident of the British Virgin Islands is exempt from British Virgin Islands income tax on dividends paid with respect to the common equity and all holders of common equity are not liable to the British Virgin Islands for income tax on gains realized on sale or disposal of such shares: The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated under the International Business Companies Act.

There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated under the International Business Companies Act. In addition, our common shares are not subject to transfer taxes, stamp duties or similar charges. There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands.

## **People’s Republic of China Taxation**

We are a holding company incorporated in the British Virgin Islands and conduct our business in China solely through our wholly owned subsidiaries. The new EIT Law and its implementation rules, both of which became effective on January 1, 2008, provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent, will normally be subject to PRC withholding tax at a rate of 10.0%, unless there are applicable treaties that reduce such rate. Under a special arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5.0% if a Hong Kong resident enterprise owns over 25% of the PRC company distributing the dividends.

Under the new EIT Law, enterprises established under the laws of jurisdictions outside China with their “*de facto* management bodies” located within China may be considered to be PRC tax resident enterprises for tax purposes. If we are considered a PRC tax resident enterprise under the above definition, then our global income will be subject to PRC enterprise income tax at the rate of 25.0%. See Item 3.D. “Risk Factors—Potential taxation on dividends and sale of our common stock.” Any changes to our tax incentives could have a material adverse effect on our operating results. Our foreign holders may be subject to PRC withholding tax on the dividends payable by us and upon gains realized on their sales of our common shares if we are classified as a PRC “resident enterprise.”

### **F. Dividends and paying agents.**

Not Applicable.

**G. *Statement by experts.***

Not Applicable.

**H. *Documents on display.***

For further information with respect to us and our common shares, we refer you to the filings we have made with the SEC. Statements contained in this annual report concerning the contents of any contract or any other documents are not necessarily complete. If a contract or document has been filed as an exhibit to any filing we have made with the SEC, we refer you to the copy of the contract or document that has been filed. Each statement in this annual report relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. We are subject to certain of the informational requirements of the Exchange Act and, in accordance with the Exchange Act, file reports and other information with the SEC. Our registration statements, including the exhibits and schedules thereto, and such reports and other information, can be inspected and copied at the following public reference facilities maintained by the SEC:

Woolworth Building  
233 Broadway  
New York, New York 10279

175 W. Jackson Boulevard  
Suite 900  
Chicago, Illinois 60604

Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Section of the SEC, 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains registration statements, reports and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>.

**I. *Subsidiary information.***

Not Applicable.

**Item 11. *Quantitative and Qualitative Disclosures about Market Risk.***

We are exposed to the impact of foreign currency fluctuations, interest rate changes and the potential increases in cost of plastic resins and metals. We have not entered into foreign currency hedges, interest rate swaps or commodity futures for speculative purposes or otherwise.

We sell a majority of our products in Chinese Renminbi and pay for our materials and components in U.S. dollars, Hong Kong dollars and Chinese Renminbi. We pay labor and overhead expenses in Renminbi, Hong Kong dollars and U.S. dollars. The exchange rate of the Hong Kong dollar to the U.S. dollar has been fixed by the Hong Kong Government since 1983 at approximately HK\$7.80 to US\$1.00 through the currency-issuing banks in Hong Kong. Consequently, the Company has not experienced any currency exchange risk exposure relating to the Hong Kong dollar in the past. This could change in the future if those in Hong Kong who are proposing a floating currency system prevail in the ongoing debate over whether to continue to peg the Hong Kong dollar to the U.S. dollar.

Effective January 1, 1994, China adopted a floating currency system whereby the official exchange rate equals the market rate. Since the market rate and official rates were unified, the value of the Renminbi against the Hong Kong dollar and U.S. dollar was stable until 2006. On July 21, 2005, the People's Bank of China ("PBOC") decided to abandon its policy of pegging the Renminbi to the U.S. dollar and link the Renminbi to a basket of currencies. The PBOC also strengthened the exchange rate of the Renminbi at that time to 8.11 to the U.S. dollar from 8.28. The Chinese authorities had therefore taken their first step towards a floating currency. As of March 29, 2013, the exchange rate was 6.2689 and as of June 28, 2013 the exchange rate was 6.1787, a 1.44% depreciation since our fiscal year end. Revaluation will have a different impact on different segments of our business but we believe our most significant foreign exchange risk results from our purchase of materials outside the PRC should the RMB depreciate. Materials represent 61% of our sale in 2013, a significant portion of which were purchased in US\$. A 1% depreciation in the Renminbi would decrease our operating profit by approximately \$1.3 million. Our net current assets in the PRC as of March 31, 2013 denominated in RMB amounted to RMB364 million (\$58.6 million).

**Item 12. Description of Securities Other than Equity Securities.**

**A. Debt securities.**

Not applicable.

**B. Warrants and rights.**

Not applicable.

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies.**

We are not in material default of any of our obligations relating to indebtedness. We are not delinquent with respect to the payment of dividends.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

During our last fiscal year, we have not materially modified any of the rights or instruments defining the rights of our security holders. We do not have any registered securities that are secured by our assets. The trustees or paying agents for our securities have not changed during the last fiscal year.

**Use of Proceeds**

On April 7, 1998, the SEC declared effective our Registration Statement on Form F-1, File No. 333-8462, for the registration of 4,830,000 pre four-for-one reverse split common shares in our initial public offering. Net proceeds from the initial public offering were approximately \$81.0 million. As of April 2003, we had used the net proceeds of the offering as follows: approximately \$16.5 million for a payment of a dividend; \$9.8 million for the acquisition of a majority interest in Lite Array; \$6.6 million for the expansion of the Dongguan facility and the purchase of fuel energy saving equipment; \$2.0 million for the purchase of machinery, tooling and equipment; and \$10.4 million for the repayment of indebtedness as reported in prior filings. After our listing on the NYSE for five years, we no longer keep track of the use of proceeds as there are continuous inflows and outflows of cash from operating and financing activities. We believe we can finance our existing business and new projects from the cash generated from our operating, financing and investing activities and we are able to maintain an adequate level of funds for potential business development or acquisition. Most of our fund balance continues to remain in temporary investments, including short-term marketable securities, U.S. dollar denominated interest-bearing savings accounts, a money market funds, and other cash-related instruments.

**Item 15. Controls and Procedures**

**(a) Disclosure controls and procedures**

As of March 31, 2013, an evaluation was performed, under the supervision and with the participation of the Company's management including the Company's Chief Executive Officer and Acting Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. Based upon this evaluation and for the reasons stated below, such officers concluded that the Company's disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act (1) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) is accumulated and communicated to the Company's management including the Chief Executive Officer and Acting Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

**(b) Management's annual report on internal control over financial reporting**

**MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

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

Management has assessed the effectiveness of its internal control over financial reporting as of March 31, 2013 based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has determined that the Company's internal control over financial reporting is not effective as of March 31, 2013. In making its assessment, management identified a material weakness, similar to prior years, concerning the Company's internal accounting staff's lack of understanding of complex accounting issues related to U.S. generally accepted accounting principles ("GAAP"), including accounting for income taxes. In response, external consultants were engaged to perform a number of tasks to prepare specific accounting analysis and necessary corrections were made prior to any public announcements or filings with the SEC. Additionally, as part of its ongoing efforts to address the potential weakness described above, the Company will continue retaining external consultants who have sufficient and appropriate technical skills to help the Company identify and resolve accounting and reporting issues.

**(c) Attestation report of the registered public accounting firm**

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal controls over financial reporting. As a non-accelerated filer, our report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only our report on internal controls over financial reporting in this annual report.

**(d) Changes in Internal Control over financial reporting**

Except as indicated in section (b) above, there were no changes that occurred during the period covered by this Form 20-F, that materially affected, or are likely to affect our internal control over financial reporting.

**Item 16. [Reserved]**

Not applicable.

**Item 16A. Audit Committee Financial Expert**

The audit committee is composed entirely of independent directors and is responsible for reviewing and making recommendations to the Board of Directors regarding the Company's accounting policies, reporting practices, internal controls, annual and quarterly financial statements and financial information included in the Company's reporting and disclosure documents with the SEC. The Committee also reviews significant audit findings, material litigation and claims whether asserted or unasserted and any issues between management and the external auditors.

The audit committee closely monitors the requirements of the Sarbanes-Oxley Act of 2002. Additionally, the audit committee receives its charter and assesses its performance at least annually.

The audit committee is currently comprised of three independent directors, Barry J. Buttifant, Patrick Po-On Hui and Ken Ying-Keung Wong. Dr. Buttifant is the chairman of the audit committee. The board of directors has determined that Barry J. Buttifant meets or exceeds the training, knowledge and requirements for a “financial expert” and is thus designated as the Company’s financial expert on the audit committee.

Dr. Buttifant is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Chartered Management Institute, the Hong Kong Management Association and the Hong Kong Institute of Directors. See Item 6A.—Directors and senior management for his biography.

**Item 16B. Code of Ethics**

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. (See Exhibit 11.1)

**Item 16C. Principal Accountant Fees and Services**

Mazars CPA Limited became our independent auditor in fiscal 2012. Fees payable for the fiscal years ended March 31, 2013 and 2012 to Mazars are detailed below:

	Fiscal Year Ended March 31, 2013	Fiscal Year Ended March 31, 2012
Audit fees	\$ 200,000	\$ 215,000
Audit-related fees	Nil	Nil
Tax fees	Nil	Nil
All other fees	Nil	Nil
<b>Total fees</b>	<b>\$ 200,000</b>	<b>\$ 215,000</b>

The nature of each category of fee is described below:

**Audit Fees.** The audit fees include fees for audit or review of the Company’s financial reports plus fees for services that generally an auditor can reasonably provide. The services include the statutory audit and review of documents filed with SEC.

**Audit-Related Fees.** We did not engage Mazars for any other audit-related services arrangement.

**Tax Fees.** We did not engage Mazars for any other tax services arrangement.

**All Other Fees.** We did not engage Mazars for any other services arrangement.

**Pre-Approval Policies and Procedures.** The audit committee has determined that the provision of services other than audit services should be provided by a firm other than the one that performs our audit. The audit committee, pursuant to its written charter, pre-approves all audit services provided by Mazars. To the extent Mazars provides any non-audit services in the future the audit committee is empowered to also pre-approve such services. Currently, our independent auditor is Mazars and we engage PricewaterhouseCoopers as our main tax advisor.

**Item 16F. Change in Registrant’s Certifying Accountant.**

**(a) Resignation of Principal Accountant**

On February 15, 2012, we accepted the resignation of BDO Limited as our independent registered public accounting firm. BDO Limited’s resignation was previously reported under Item 16F(a) of our annual report on Form 20-F for the fiscal year ended March 31, 2012.

**(b) Engagement of New Principal Accountant**

On February 20, 2012, our board of directors approved the appointment of Mazars CPA Limited as our independent registered public accounting firm. During the fiscal year ended March 31, 2012, neither we nor anyone on our behalf consulted Mazars CPA Limited regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements. Also, we have not obtained any written report or oral advice that Mazars CPA Limited concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of “disagreements” as that term is defined in Item 16F(a)(1)(v) of Form 20-F and related instructions to Item 16-F of Form 20-F, or “reportable events” as that term is described in Item 16F(a)(1)(v) of Form 20-F), except that Mazars CPA Limited had identified one material weakness in connection with the audit of the Company’s consolidated financial statements for the fiscal year ended March 31, 2012. We concluded that a material weakness

in internal control over our financial reporting existed as of March 31, 2013 due to the Company's internal accounting staffs' lack of understanding of complex accounting issues related to U.S. generally accepted accounting principles, including accounting for income taxes.

#### **Item 16G. Corporate Governance**

The Company's corporate governance practices are governed by applicable British Virgin Islands law, as well as by its Memorandum and Articles of Association. We have securities that are registered with the SEC and are listed on the Nasdaq, and are therefore subject to corporate governance requirements applicable to foreign private issuers listed on the Nasdaq. Nasdaq Marketplace Rule 5615(a)(1)(3) provides that foreign private issuers listed on Nasdaq may elect to follow home country corporate governance practices in lieu of certain of the corporate governance requirements set forth in the Rule 5400 series, Rule 5250(d), and Rules 5210(c) and 5255, with the exception that all such issuers shall: (i) comply with Rule 5625 (Notification of Material Noncompliance); (ii) have an audit committee that satisfies Rule 5605(c)(3) that consists of members that meet the criteria for independence referenced in Rule 5605(c)(2)(A)(ii); and (iii) comply with Rules 5210(c) and 5255 (Direct Registration Program) unless prohibited from complying by law or regulation in its home country. Furthermore, foreign private issuers electing to follow home country practice in lieu of a requirement of Rules 5600, 5250(d), 5210(c) or 5255 are required to submit to Nasdaq a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws and, in the case of Rules 5210(c) and 5255, certifying that a law or regulation in the home country prohibits compliance. The Company submitted the required certification in connection with its listing application on November 26, 2008.

Rules	Requirements	Company Compliance
Rule 5605(b)(1) Majority Independent Board	A majority of the board of directors must be comprised of “Independent Directors” as defined in Rule 5605(a)(2).	It is not mandatory for Global-Tech to comply with this provision. However, Global-Tech’s board consists of five members, of which three are independent.
Rule 5605(a)(2) and 5605(b)(1) Definition of Independent Directors	<p>(a) Independent director should be a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of the Company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.</p> <p>(b) The following persons shall not be considered “independent”:</p> <p>(i) A director who is, or during the past three years was, employed by the Company;</p> <p>(ii) A director who accepts or who has a Family Member who accepts any payments from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than compensation for board service, compensation paid to a Family Member who is an employee of the Company, benefits under a tax-qualified retirement plan, or non-discretionary compensation;</p> <p>(iii) A director who is a Family Member of an individual who is, or during the post three years was employed by the Company as an executive officer;</p> <p>(iv) A director who is, or has a Family Member who is, a current partner of the Company’s outside auditor, or was a partner or employee of the Company’s outside auditor who worked on the Company’s audit at any time during any of the past three years;</p>	Global-Tech considers whether its board members meet the requirements of being “independent.”
Rule 5605(b)(2) Executive Sessions	The board must have regularly scheduled (at least twice a year) meetings at which only independent directors are present.	Global-Tech is not required to hold regularly scheduled meetings of independent directors.  Accordingly, the board does not hold regularly scheduled sessions of the independent directors.
Rule 5605(e)(1) Independent Director Oversight of Nominations of Directors	Director nominees must be selected or recommended for the Board’s selection by (a) a majority of independent directors on the board or (b) by a nominating committee comprised solely of independent directors.	Global-Tech is not required to have a nominating committee. However, any director nominees must be selected by a majority of independent directors.
Rule 5405(d) Independent Director Oversight of Executive Officer Compensation	Compensation of the chief executive and other executive officers must be determined or recommended to the board by majority vote of only Independent Directors or a compensation committee comprised solely of Independent Directors. The chief executive officer may not be present during voting or deliberations regarding the determination of compensation of the chief executive officer.	Mr. Brian Yuen, one member of Global-Tech’s compensation committee, is not considered independent since he is a member of management of the Company.

Rules	Requirements	Company Compliance
Rule 5605(c)(1) Audit Committee Charter	The Company has adopted a formal written Audit Committee Charter specifying the items enumerated in Rule 5605(c)(1), and that the Audit Committee will review and assess the adequacy of the charter on an annual basis.	The Company has a formal charter that is reviewed annually.
Rule 5610 Code of Conduct	Each Company must adopt a code of conduct applicable to all directors, officers and employees, which shall be publicly available.	Global-Tech has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

**PART III**

**Item 17. Financial Statements.**

Not applicable.

**Item 18. Financial Statements.**

See pages F-1 through F-47 incorporated herein by reference.

**Item 19. Exhibits.**

See “Exhibit Index” on page E-1.



Audited Consolidated Financial Statements

GLOBAL-TECH ADVANCED INNOVATIONS INC.

(Incorporated in the British Virgin Islands with limited liability)

F-1

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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 sheets of Global-Tech Advanced Innovations Inc. and its subsidiaries (collectively referred to as the “Company”) as of March 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, changes in shareholders’ equity and cash flows for the years ended March 31, 2013 and 2012. 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 auditing 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. Our audit also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. 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 positions of the Company as of March 31, 2013 and 2012, and the consolidated results of its operations and cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mazars CPA Limited

*Certified Public Accountants*  
Hong Kong

July 23, 2013

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 statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the year ended March 31, 2011 of Global-Tech Advanced Innovations Inc. (the "Company"). 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 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 financial statements are free of material misstatement. An audit 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, as well as evaluating the overall 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 results of the operations and cash flows of the Company for the year ended March 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Limited

BDO Limited  
Hong Kong, August 31, 2011 except for Note 18,  
which is as of July 23, 2012

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2013 and 2012

	<u>Notes</u>	<u>2013</u> US\$	<u>2012</u> US\$
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	4	32,385,376	39,792,733
Restricted cash	5	14,592,289	4,546,062
Available-for-sale investments	6	17,153	2,006,066
Accounts and bills receivable	7	19,713,608	30,273,062
Inventories	8	5,392,332	5,374,192
Prepaid expenses		181,224	149,558
Deposits and other assets		5,044,456	769,206
Amount due from a related party	9	18,841	11,798
<b>Total current assets</b>		<u>77,345,279</u>	<u>82,922,677</u>
Interests in jointly-controlled entities	12	—	—
Property, plant and equipment, net	10	26,528,681	21,933,787
Land use rights, net	11	3,026,537	3,083,128
Deposits paid for purchase of property, plant and equipment		280,146	66,617
Available-for-sale investments	6	1,045,200	1,033,800
<b>Total assets</b>		<u>108,225,843</u>	<u>109,040,009</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
Current liabilities:			
Short term bank loans	14	4,826,241	4,000,000
Accounts payable		7,134,526	8,163,510
Customer deposits		1,331,100	860,779
Accrued salaries, allowances and other employee benefits		4,367,642	3,102,335
Other accrued liabilities	13, 22	9,643,638	6,637,851
Income tax payable		4,659,313	6,157,885
<b>Total current liabilities</b>		<u>31,962,460</u>	<u>28,922,360</u>
Deferred tax liabilities	17	5,180	27,017
<b>Total liabilities</b>		<u>31,967,640</u>	<u>28,949,377</u>
Commitments and contingencies	20, 21		
Shareholders' equity:			
Common stock, par value US\$0.04 per share; 12,500,000 shares authorized; 3,230,814 and 3,229,314 shares issued as of March 31, 2013 and 2012	15	129,233	129,173
Preferred stock, par value US\$0.04 per share; 250,000 shares authorized; no shares issued		—	—
Additional paid-in capital		85,053,402	84,786,226
Statutory reserves	3(ad)	1,238,361	—
Accumulated deficit		(15,932,941)	(9,690,526)
Accumulated other comprehensive income		10,709,740	9,697,445
Less: Treasury stock, at cost, 189,587 shares as of March 31, 2013 and 2012		(4,663,321)	(4,663,321)
<b>Total Global-Tech Advanced Innovations Inc. shareholders' equity</b>		<u>76,534,474</u>	<u>80,258,997</u>
Non-controlling interests		(276,271)	(168,365)
<b>Total shareholders' equity</b>		<u>76,258,203</u>	<u>80,090,632</u>
<b>Total liabilities and shareholders' equity</b>		<u>108,225,843</u>	<u>109,040,009</u>

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE FISCAL YEARS ENDED MARCH 31, 2013, 2012 AND 2011

	Notes	2013 US\$	2012 US\$	2011 US\$
Net sales		81,083,384	69,652,705	57,468,866
Cost of goods sold		(70,817,320)	(59,008,973)	(50,403,138)
Gross profit		10,266,064	10,643,732	7,065,728
Selling, general and administrative expenses		(16,254,968)	(10,612,458)	(11,317,767)
Other operating income, net		—	28,589	1,137,580
Operating profit (loss)		(5,988,904)	59,863	(3,114,459)
Interest income, net		1,504,166	95,477	536,187
Other income (expenses), net	16	845,806	1,116,279	370,274
Income (Loss) from continuing operations before income taxes		(3,638,932)	1,271,619	(2,207,998)
Income tax (expense) benefit	17	841,900	(1,228,625)	(204,122)
Income (Loss) from continuing operations		(2,797,032)	42,994	(2,412,120)
Income (Loss) from discontinued operations, net of tax	18	725,773	1,374,342	(1,775,879)
Net income (loss)		(2,071,259)	1,417,336	(4,187,999)
Other comprehensive income				
Foreign currency translation adjustments		989,852	2,277,759	2,304,636
Release of unrealized loss on available-for-sale investments, net of income tax of nil, upon disposal		—	—	1,877
Unrealized gain on available-for-sale investments, net of income tax of nil		22,495	24,600	11,092
Unrealized loss on available-for-sale investments, net of income tax of nil		—	(643)	—
Total comprehensive income (loss)		(1,058,912)	3,719,052	(1,870,394)
Less: Comprehensive income (loss) attributable to non-controlling interests				
Net income (loss)		107,958	(6,659)	175,028
Foreign currency translation adjustments		(52)	454	(458)
Total comprehensive income (loss) attributable to shareholders of Global-Tech Advanced Innovations Inc.		(951,006)	3,712,847	(1,695,824)
Income (Loss) from continuing operations		(2,797,032)	42,994	(2,412,120)
Net income (loss) attributable to non-controlling interests		107,958	(6,659)	175,028
Income (Loss) from continuing operations attributable to shareholders of Global-Tech Advanced Innovations Inc.		(2,689,074)	36,335	(2,237,092)
Income (Loss) from discontinued operations		725,773	1,374,342	(1,775,879)
Net income (loss) attributable to shareholders of Global-Tech Advanced Innovations Inc.		(1,963,301)	1,410,677	(4,012,971)
Basic and diluted earnings (loss) from continuing operations per share of common stock		(0.88)	0.01	(0.74)
Basic and diluted earnings (loss) per share of common stock	19	(0.65)	0.46	(1.32)
Basic and diluted weighted average number of shares of common stock	19	Number 3,040,310	Number 3,039,727	Number 3,039,454

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



translation adjustments	—	—	—	—	—	—	—	—	—	2,278,213	2,278,213	(454)	2,277,759
Total net comprehensive income (loss)	—	—	—	—	—	1,410,677	—	2,302,170	3,712,847	6,205	3,719,052		
Stock compensation expenses	—	—	—	34,121	—	—	—	—	34,121	—	34,121		
Balance as of March 31,	3,229,314	(189,587)	129,173	84,786,226	—	(9,690,526)	(4,663,321)	9,697,445	80,258,997	(168,365)	80,090,632		

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)  
FOR THE FISCAL YEARS ENDED MARCH 31, 2013, 2012 AND 2011

	Number of shares				Amounts						
	Common stock	Treasury stock	Common stock US\$	Additional paid-in capital US\$	Statutory reserves US\$	Accumulated deficit US\$	Treasury stock US\$	Accumulated other comprehensive income (loss) US\$	Global-Tech shareholders' equity US\$	Non-controlling interests US\$	Total equity US\$
Balance as of March 31, 2012	3,229,314	(189,587)	129,173	84,786,226	—	(9,690,526)	(4,663,321)	9,697,445	80,258,997	(168,365)	80,090,632
Net loss for the year	—	—	—	—	—	(1,963,301)	—	—	(1,963,301)	(107,958)	(2,071,259)
Other comprehensive income:											
• unrealized gain on available-for-sale investments, net of income tax of nil	—	—	—	—	—	—	—	22,495	22,495	—	22,495
• foreign currency translation adjustments	—	—	—	—	—	—	—	989,800	989,800	52	989,852
Total net comprehensive income (loss)	—	—	—	—	—	(1,963,301)	—	1,012,295	(951,006)	(107,906)	(1,058,912)
Stock compensation expenses	—	—	—	258,128	—	—	—	—	258,128	—	258,128
Shares issued to an employee	1,500	—	60	9,048	—	—	—	—	9,108	—	9,108
Transfer to statutory reserves	—	—	—	—	1,238,361	(1,238,361)	—	—	—	—	—
Cash dividend (note)	—	—	—	—	—	(3,040,753)	—	—	(3,040,753)	—	(3,040,753)
Balance as of March 31, 2013	3,230,814	(189,587)	129,233	85,053,402	1,238,361	(15,932,941)	(4,663,321)	10,709,740	76,534,474	(276,271)	76,258,203

Note: On August 22, 2012, the Board of Directors declared a special cash dividend of US\$1 per each common stock, except for treasury stock owned by the Company itself. The special cash dividend was paid on September 5, 2012.

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, 2013, 2012 AND 2011

	<u>2013</u> US\$	<u>2012</u> US\$	<u>2011</u> US\$
<b>Cash flows from operating activities:</b>			
Net income (loss)	(2,071,259)	1,417,336	(4,187,999)
Plus: (Income) Loss from discontinued operations, net of taxes	(725,773)	(1,374,342)	1,775,879
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization	100,243	98,349	93,780
Depreciation	3,342,484	1,940,518	1,638,360
(Gain) Loss on disposal of property, plant and equipment	43,311	86,015	3,662
Allowance for doubtful accounts	—	—	768
Stock compensation expense	258,128	34,121	470,109
Shares issued to an employee	9,108	—	1,999
Interest received from available-for-sale investments	—	(13)	—
Deferred tax	(21,861)	(604)	93,907
Foreign exchange	343,080	67,828	(390,511)
Changes in operating assets and liabilities:			
Accounts and bills receivable	10,832,906	(6,656,556)	(3,974,939)
Prepaid expenses	(141,709)	135,753	(74,341)
Deposits and other assets	(4,403,866)	(139,251)	22,616
Legal claims receivable	—	15,730	5,077,737
Amount due from a jointly-controlled entity	—	13,694	7,937
Inventories	58,655	(226,182)	(1,040,759)
Accounts payable	(538,503)	1,573,958	3,003,617
Discounted bills	—	—	(3,354,398)
Accrued salaries, allowances and other employee benefits	2,159,620	184,139	927,917
Other accrued liabilities	7,636,375	(542,056)	491,005
Accrual for loss contingencies	—	(19)	(912,192)
Amount due from a related party	(7,043)	—	—
Income tax payable	(1,495,465)	663,564	(458,708)
Cash provided by (used in) operating activities – continuing operations	15,378,431	(2,708,018)	(784,554)
Cash provided by (used in) operating activities – discontinued operations	(5,432,318)	16,078,896	(9,237,674)
Net cash provided by (used in) operations	<u>9,946,113</u>	<u>13,370,878</u>	<u>(10,022,228)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property, plant and equipment	160	—	1,458
Deposits paid for purchase of property, plant and equipment	(209,801)	(3,365)	—
Purchases of property, plant and equipment	(7,613,631)	(543,188)	(4,446,340)
Decrease (Increase) in time deposits	—	1,567,786	(1,494,953)
Proceeds from disposal of available-for-sale investments	2,000,000	9,000,000	15,986,532
Purchases of available-for-sale investments	—	(8,999,987)	(3,000,000)
Cash provided by (used in) investing activities – continuing operations	(5,823,272)	1,021,246	7,046,697
Cash provided by (used in) investing activities – discontinued operations	506,669	(240,763)	(217,028)
Net cash provided by (used in) investing activities	<u>(5,316,603)</u>	<u>780,483</u>	<u>6,829,669</u>

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)  
FOR THE FISCAL YEARS ENDED MARCH 31, 2013, 2012 AND 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	US\$	US\$	US\$
<b>Cash flows from financing activities:</b>			
Receipts (Deposits) of restricted cash	(9,850,513)	15,420,274	(14,503,181)
Proceeds from short-term bank loans	757,941	—	21,479,662
Settlements of short-term bank loans	—	(8,930,492)	(9,216,587)
Cash dividend paid	(3,040,753)	—	—
Cash provided by (used in) financing activities – continuing operations	(12,133,325)	6,489,782	(2,240,106)
Cash used in financing activities – discontinued operations	—	—	—
Net cash provided by (used in) financing activities	<u>(12,133,325)</u>	<u>6,489,782</u>	<u>(2,240,106)</u>
Effect of foreign exchange rate changes on cash	96,458	(53,594)	(170,747)
Net increase (decrease) in cash and cash equivalents	(7,407,357)	20,587,549	(5,603,412)
Cash and cash equivalents at beginning of fiscal year	<u>39,792,733</u>	<u>19,205,184</u>	<u>24,808,596</u>
Cash and cash equivalents at end of fiscal year	<u><u>32,385,376</u></u>	<u><u>39,792,733</u></u>	<u><u>19,205,184</u></u>
<b>Supplemental disclosure information:</b>			
Cash paid for interest	109,749	106,599	270,823
Cash paid for taxes	<u>700,334</u>	<u>569,645</u>	<u>623,151</u>

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Global-Tech Advanced Innovations Inc. (“Global-Tech”) (formerly known as Global-Tech Appliances Inc.) is primarily an investment holding company, which was incorporated in the British Virgin Islands on May 2, 1991. Global-Tech and its subsidiaries (hereinafter collectively referred to as the “Company”) is primarily a manufacturer of consumer electrical products, including, but not limited to 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 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, 2013 were as follows:

<u>Name</u>	<u>Place of incorporation/ registration</u>	<u>Percentage of equity interest attributable to the Company</u>	<u>Principal activities</u>
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	Leasing of a property and the rendering of administration and management services

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SUBSIDIARIES (continued)

Details of Global-Tech's subsidiaries as of March 31, 2013 were as follows: (continued)

<u>Name</u>	<u>Place of incorporation/ registration</u>	<u>Percentage of equity interest attributable to the Company</u>	<u>Principal activities</u>
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	Provision of cellular phone assembly services
Dongguan Lite Array Company Limited ("DGLAD")	PRC	100	Developing, manufacturing and marketing of electronic and optical components and provision of cellular phone assembly services
Dongguan Microview Medical Technology Company Limited	PRC	100	Manufacturing of medical instruments
Joke Media Limited	PRC	100	Media services
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 Lite Array (BVI) Limited	British Virgin Islands	76.75	Investment holding
Lite Array, Inc.	State of Delaware, U.S.A.	76.75	Inactive

MasterWerke Limited and Global Digital Imaging Limited were dissolved on May 2 and May 8, 2012, respectively. Global Rich Innovation Limited and Global Auto Limited were dissolved on February 26 and February 28, 2013, respectively. Wing Shing Overseas Limited was dissolved on May 28, 2013.

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").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 periods from Lite Array Holdings’ fiscal year end date to March 31, 2013, 2012 and 2011, respectively.

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

(c) Discontinued operations

Unless otherwise indicated, information presented in the notes to the consolidated financial statements relates only to Global-Tech’s continuing operations. Information related to discontinued operations is included in note 18 and in some instances, where appropriate, is included as separate disclosure within the individual footnotes.

(d) Use of estimates

The preparation of these consolidated 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 consolidated 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.

(e) 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.

(f) Restricted cash

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

(g) 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 (loss), 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 and comprehensive income. Gains or losses on sale of investments and amounts reclassified from accumulated other comprehensive income (loss) 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.

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 impairment of debt securities that are deemed to be other-than-temporary. Factors considered in evaluating potential impairment include, but are not limited to, the current fair value as

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments (continued)

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 exceeds 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 and comprehensive income in the period when it is incurred.

(h) Accounts and bills receivable

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.

(i) Inventories

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

(j) 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 and comprehensive income 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (j) Property, plant and equipment (continued)

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

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

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 and comprehensive income in the period the item is derecognized. Machinery and equipment used in the home appliance business has been derecognized pending sale.

## (k) 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.

## (l) Impairment of long-lived assets

Long-lived assets are included in impairment evaluations when events and circumstances exist that indicate the carrying value of these assets may not be recoverable. In accordance with Financial Accounting Standards Board (“FASB”) ASC 360 “Property, Plant and Equipment” the Company assesses the recoverability of the carrying value of long-lived assets by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group) and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. The Company estimates the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, the Company records an impairment charge to the extent the carrying value of the long-lived asset exceeds its fair value. The Company determines fair value through quoted market prices in active markets or, if quotations of market prices are unavailable, through the performance of internal analysis using a discounted cash flow methodology or obtains external appraisals from independent valuation firms. The undiscounted and discounted cash flow analyses are based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, discount rate and long-term growth rate. Long lived assets, excluding buildings, associated with the home appliance business are considered to be impaired and accordingly have been written down to fair value less the estimated cost of disposal. Since the Company has leased a significant portion of the buildings previously occupied by the home appliance business, the Company was able to perform an impairment analysis based on anticipated future rental income, and as a result determined that they were not impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 camera modules ("CCMs") shipments to certain telecommunication customers in the PRC is recognized upon notarized acceptance of the product by the customer.

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.

(n) 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 and comprehensive income as incurred and are included in "Selling, general and administrative expenses" ("SG&A"). Advertising expenses were US\$231,171, US\$81,098 and US\$99,130 from continuing operations for the fiscal years ended March 31, 2013, 2012 and 2011, respectively. Whereas, nil, US\$1,754 and US\$2,279 were from discontinued operations for the fiscal years ended March 31, 2013, 2012 and 2011, respectively.

(o) 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 and comprehensive income were design and development costs of US\$820,649, US\$620,768 and US\$870,616 from continuing operations (from discontinued operations 2013: nil, 2012: US\$106,190 and 2011: US\$216,618) for the fiscal years ended March 31, 2013, 2012 and 2011, respectively.

(p) Shipping and handling costs

In accordance with FASB ASC 605 "Revenue Recognition", shipping and handling fees billed to customers are included in net sales in the consolidated statement of operations and comprehensive income. 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 and comprehensive income. During the fiscal years ended March 31, 2013, 2012 and 2011, shipping and handling costs charged to SG&A were US\$327,795, US\$217,368 and US\$146,608 from continuing operations (from discontinued operations 2013: nil, 2012: US\$722,371 and 2011: US\$730,807), 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, 2013, 2012 and 2011, inbound freight costs charged to cost of goods sold were US\$21,434, US\$20,922 and US\$32,566 from continuing operations (from discontinued operations 2013: nil, 2012: US\$70,279 and 2011: US\$9,781), respectively. Other related costs are included in manufacturing overheads.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 and comprehensive income.

The functional currency of Global-Tech is the U.S. Dollar (“US\$”). The financial statements of all subsidiaries are translated in accordance with FASB ASC 830 “Foreign Currency Matters”. 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 or loss.

(r) Income taxes

Deferred income taxes are provided using the asset and liability method in accordance FASB ASC 740 “*Income taxes*”. Under this method, deferred income taxes are recognized for all significant temporary differences at enacted rates and classified as current or non-current based upon the classification of the related asset or liability in the consolidated statements. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all, the deferred tax asset will not be realized.

FASB ASC 740 clarifies 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. Interest and penalties from tax assessments, if any, are included in income taxes in the consolidated statement of operations and comprehensive income.

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.

(s) Stock compensation expense

The Company adopted 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 and estimated using the option pricing model. Stock issued to an employee as compensation is 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 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.

(t) 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 and comprehensive income 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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 and comprehensive income 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.

(v) 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.

(w) 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.

(x) Comprehensive income (loss)

Comprehensive income (loss) is defined as the consolidated 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 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.

(y) Accruals and loss contingencies

The Company makes provision for all loss contingencies when information available prior to the issuance of the consolidated financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the consolidated financial statements and the amount of loss can be reasonably estimated.

For provision or accruals related to litigation, social insurance, property tax, etc, the company makes provisions based on information from legal counsel and the best estimation of management. The company assesses the potential liability to be recorded if the contingency loss is probable and the amount of loss can be reasonably estimated. The actual resolution of the contingency may differ from the Company's estimates. If the contingency was settled for an amount greater than the estimate, a future charge to income would result. Likewise, if the contingency was settled for an amount that is less than our estimates, a future credit to income would result.

(z) Segment reporting

The Company follows FASB ASC 280 "Segment Reporting". During fiscal 2013, the Company operated and managed its business in three segments. The Company exited the home appliance business in January 2012 and thus the home appliance segment is presented as a discontinued operation. The accounting policies used in its segment reporting are the same as those used in the reporting of its results in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) 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\$403,627 for the year ended March 31, 2013 (2012: US\$729,528 and 2011: US\$296,410). The basis and the amount of the warranty accrual are reviewed and adjusted periodically based on actual experience.

(ab) Government grants

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

(ac) Retained Earnings and Reserves

The Company's retained earnings are not restricted as to the payment of dividends except to the extent dictated by prudent business practices. The Company believes that there are no material restrictions, including foreign exchange controls, on the ability of its non-PRC subsidiaries to transfer surplus funds to the Company in the form of cash dividends, loans, advances or purchases. With respect to the Company's PRC subsidiaries, there are restrictions on the payment of dividends and the distribution of dividends from the PRC. On March 16, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. Please refer to Note 17 for further details of the New Law. The New Law became effective from January 1, 2008. Prior to the enactment of the New Law, when dividends were paid by the Company's PRC subsidiaries, such dividends would reduce the amount of reinvested profits and accordingly, the refund of taxes paid might be reduced to the extent of tax applicable to profits not reinvested. Subsequent to the enactment of the New Law, due to the removal of tax benefit related to reinvestment of capital in PRC subsidiaries, the Company may not reinvest the profits made by the PRC subsidiaries. Payment of dividends by PRC subsidiaries to foreign investors on profits earned subsequent to January 1, 2008 will also be subject to withholding tax under the New Law. In addition, pursuant to the relevant PRC regulations, a certain portion of the profits made by these subsidiaries must be set aside for future capital investment and are not distributable, and the registered capital of the Company's PRC subsidiaries are also restricted. Under applicable PRC regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year for its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. However, the Company believes that such restrictions will not have a material effect on the Company's liquidity or cash flows.

(ad) Statutory Reserves

The PRC subsidiaries are required by the relevant laws and regulation to transfer at least 10% of their after-tax profit determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of their registered capital.

The Company transferred US\$1,238,361 and Nil out of after-tax income of its PRC subsidiaries to the statutory reserves for the years ended March 31, 2013 and 2012, respectively.

The statutory reserves can only be utilized to offset prior years' losses or for capitalization as paid-in capital. No distribution of the remaining reserves shall be made other than upon liquidation of the PRC subsidiaries.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## Recent accounting pronouncements

- (i) In December 2011, the FASB issued ASU 2011-11, “*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*”, which requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. In January 2013, the FASB issued ASU 2013-01, “*Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Asset and Liabilities*”, which clarifies the scope of the offsetting disclosures of ASU 2011-11. Both ASUs are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Retrospective presentation for all comparative periods presented is required. The Company believes that its adoption of these ASUs will not have any material impact on its consolidated financial statements.
- (ii) In February 2013, the FASB issued ASU 2013-02, “*Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*”, which requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail on these amounts. This ASU is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 does not have any material impact on its consolidated financial statements.

## 4. CASH AND CASH EQUIVALENTS

	March 31, 2013	March 31, 2012
	US\$	US\$
Cash on hand and at banks	24,551,490	27,680,158
Money market funds	7,833,886	12,112,575
Total cash and cash equivalents	<u>32,385,376</u>	<u>39,792,733</u>

The cash on hand and at banks in our PRC subsidiaries are denominated in Renminbi (“RMB”), United States dollars (“US\$”) and Hong Kong dollars (“HK\$”) with the total amount equivalent to RMB61,563,027 (equivalent to US\$9,911,137) and RMB53,638,273 (equivalent to US\$8,511,175) as of March 31, 2013 and 2012, respectively. Of these amounts, RMB56,510,003 (equivalent to US\$9,097,642) and RMB53,219,866 (equivalent to US\$8,444,783) are originally denominated in RMB as of March 31, 2013 and 2012, 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

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CASH AND CASH EQUIVALENTS (continued)

Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business. Other than RMB, the cash on hand and at banks of the Company in Hong Kong and the United States are denominated in HK\$ and US\$.

5. RESTRICTED CASH

As of March 31, 2013 and 2012, time deposits of RMB90,640,000 (equivalent to US\$14,592,289) and RMB28,649,739 (equivalent to US\$4,546,062) respectively were deposited with and pledged to banks to secure credit facilities granted to the Company, including revolving bank loans.

6. AVAILABLE-FOR-SALE INVESTMENTS

The following is a summary of available-for-sale debt and equity securities, which are all non-restricted, as of March 31, 2013 and 2012:

	Cost		Net unrealized gains		Fair values	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>Current assets:</b>						
Unlisted investments	—	2,000,000	—	—	—	2,000,000
Listed equity securities	3,138	3,138	14,015	2,928	17,153	6,066
	3,138	2,003,138	14,015	2,928	17,153	2,006,066
<b>Non-current assets:</b>						
Unlisted investments	1,000,000	1,000,000	45,200	33,800	1,045,200	1,033,800
	<u>1,003,138</u>	<u>3,003,138</u>	<u>59,215</u>	<u>36,728</u>	<u>1,062,353</u>	<u>3,039,866</u>

As of March 31, 2013 and 2012, investments totaling US\$2,235 and US\$2,335 were in unrealized loss positions of US\$1,839 and US\$1,952 respectively. During the fiscal years ended March 31, 2013, 2012 and 2011, 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.

Unlisted investments which have terms of 2 years are measured at fair value using a price quoted by a third party, such as broker or bank, at the balance sheet date.

The net unrealized gains consisted of gross unrealized gains as at the fiscal years ended March 31, 2013, 2012 and 2011 of US\$61,054, US\$38,680 and US\$14,676, respectively, and gross unrealized losses as at the fiscal years ended March 31, 2013, 2012 and 2011 of US\$1,839, US\$1,952 and US\$1,913, respectively.

The proceeds from the disposal of available-for-sale investments for the fiscal years ended March 31, 2013, 2012 and 2011 were US\$2,000,000, US\$9,000,000 and US\$15,986,532, respectively.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. ACCOUNTS AND BILLS RECEIVABLE

	March 31, 2013	March 31, 2012
	US\$	US\$
Accounts receivable	9,673,986	13,318,143
Bills receivable	10,039,622	16,954,919
Accounts and bills receivable	<u>19,713,608</u>	<u>30,273,062</u>

	Fiscal years ended		
	March 31, 2013	March 31, 2012	March 31, 2011
	US\$	US\$	US\$
Allowance for doubtful accounts:			
Balance at beginning of fiscal year	—	768	115,024
Additions	—	—	768
Amount written-off as uncollectible during the fiscal year	—	(768)	(115,024)
Balance at end of fiscal year	<u>—</u>	<u>—</u>	<u>768</u>

8. INVENTORIES

	March 31, 2013	March 31, 2012
	US\$	US\$
Raw materials	2,791,811	2,716,414
Work in progress	878,718	780,588
Finished goods	<u>1,721,803</u>	<u>1,877,190</u>
	<u>5,392,332</u>	<u>5,374,192</u>

For the fiscal years ended March 31, 2013, 2012 and 2011, a write-down of inventories to fair market value of US\$867,312, US\$932,848 and US\$405,313 respectively, was recognized in the consolidated statement of operations and comprehensive income, of which nil, US\$548,293 and US\$42,004 were included in income (loss) from discontinued operations.

9. RELATED PARTY TRANSACTIONS

A related party is any party that controls, jointly controls or can significantly influence the management or operating policies of the Company. 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, 2013, 2012 and 2011, the Company had the following material transactions with related parties during those years:

The Company incurred annual motor car rental expenses for the fiscal years ended March 31, 2013, 2012 and 2011 of approximately US\$57,245, US\$57,068 and US\$57,129, respectively which were payable to a related company.

The Company incurred annual real estate rental expenses for the fiscal years ended March 31, 2013, 2012 and 2011 of approximately US\$346,662, US\$451,507 and US\$713,103, respectively, payable to two directors of Global-Tech and certain related companies of which certain of their directors are also directors of Global-Tech. Included in the aforesaid annual real estate rental expenses were amounts of US\$239,811, US\$318,743 and US\$478,635 paid to directors (one director in fiscal 2013 and two directors in fiscal 2012 and 2011) of Global-Tech, during the fiscal years ended March 31, 2013, 2012 and 2011, respectively, which were included in their remuneration for the respective fiscal years as housing allowances.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. RELATED PARTY TRANSACTIONS (continued)

The amount due from a related party, of which one of the directors of Global-Tech was a shareholder as of March 31, 2013, and two directors of Global-Tech were shareholders as of March 31, 2012 and 2011, is unsecured, interest-free and has no fixed terms of prepayments.

10. PROPERTY, PLANT AND EQUIPMENT, NET

	March 31, 2013 US\$	March 31, 2012 US\$
Leasehold improvements and buildings	28,511,687	28,102,876
Plant and machinery	35,469,194	34,922,469
Moulds	386,554	386,482
Transportation equipment	1,552,518	1,581,372
Furniture, fixtures and equipment	5,885,172	5,431,091
Construction in progress	2,288,034	4,760
	<u>74,093,159</u>	<u>70,429,050</u>
Less: Accumulated depreciation	<u>(47,564,478)</u>	<u>(48,495,263)</u>
Property, plant and equipment, net	<u>26,528,681</u>	<u>21,933,787</u>

- (a) During the fiscal years ended March 31, 2013, 2012 and 2011, impairment losses relating to property, plant and equipment of nil, US\$1,230,727 and nil, respectively, were recognized in the consolidated statement of operations and comprehensive income for certain moulds, plant and machinery, and furniture, fixtures and equipment which are no longer used in the operations of the Company. The impairment loss of US\$1,230,727 was recognized in “Income (Loss) from discontinued operations” during the fiscal year ended March 31, 2012. No impairment loss was recognized for the years ended March 31, 2013 and 2011.
- (b) As of March 31, 2013 and 2012, buildings with aggregate net book values of approximately US\$13,976 and US\$14,899, respectively, were situated in Hong Kong and manufacturing facilities with aggregate net book values of approximately US\$9,987,761 and US\$11,105,383, 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, 2013, the Company has obtained a sizable portion of the property ownership certificates for its buildings (29 out of a total of 40 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, 2013, 2012 and 2011 were US\$3,342,484, US\$3,463,480 and US\$3,238,356 respectively. Of which, nil, US\$1,522,962 and US\$1,599,996 were included in “Income (Loss) from discontinued operations”.
- (d) The loss on disposal of property, plant and equipment recognized during the fiscal years ended March 31, 2013, 2012 and 2011 amounted to US\$43,311, US\$86,015 and US\$3,662, respectively which were recognized in income (loss) from continuing operations. The gain on disposal of property, plant and equipment of US\$506,669, nil and nil was recognized during fiscal years ended March 31, 2013, 2012 and 2011 and was included in income (loss) from discontinued operations.
- (e) The amount of additions to property, plant and equipment during the fiscal years ended March 31, 2013, 2012 and 2011 were US\$7,613,631, US\$814,247 and US\$4,663,368 primarily included expansion of existing clean room space and purchase of equipment and machinery related to our COB facility, most of which was included in construction in progress.

11. LAND USE RIGHTS, NET

Land use rights represent prepayments under operating leases for land use for a predetermined time period. They are charged to the consolidated statement of operations and comprehensive income 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 vacated 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\$9,039) to the local government for the period from January 1, 2008 to December 31, 2008 and RMB193,048 (approximately US\$31,079) from January 1, 2009 onwards until August 6, 2043. Up to March 31, 2013, the Company has obtained a sizable portion of its land use rights certificates covering 183,900 square meters out of a total area of 207,300 square meters. The application of certain property ownership certificates as further detailed in note 10 to the consolidated financial statements commences only after the land use rights certificates for the relevant pieces of land have been obtained. The Company is in the process of obtaining the remaining land use rights and property ownership certificates. However, no definitive time frame has been provided by the Dongguan local government as to when the certificates will be provided to the Company.

## 12. 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 (collectively referred to as 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 Company has no further obligation to fund operations.

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

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

	<u>2012</u>	<u>2011</u>
	US\$	US\$
Current assets	259,760	331,826
Non-current assets	1,496,549	1,705,652
Current liabilities	(5,164,836)	(4,746,605)
Revenue	4,086	5,219
Operating expenses	(619,669)	(869,179)
Net loss	<u>(703,124)</u>	<u>(553,065)</u>

\* The financial year end date of Lite Array Holdings Limited

## 13. WARRANTY PROVISION

Included in other accrued liabilities are warranty provisions of US\$403,627, US\$729,528 and US\$296,410 as of March 31, 2013, 2012 and 2011, respectively, none of which are from discontinued operations. The Company's warranty activity during the fiscal years ended March 31, 2013, 2012 and 2011 is summarized below:

	Fiscal years ended		
	March 31, 2013	March 31, 2012	March 31, 2011
	US\$	US\$	US\$
Balance at beginning of fiscal year	729,528	296,410	180,151
Additional provision	—	473,551	192,408
Reversal of unutilized amounts	(325,901)	(40,433)	(76,149)
Balance at end of fiscal year	<u>403,627</u>	<u>729,528</u>	<u>296,410</u>

## 14. SHORT TERM BANK LOANS 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) a security agreement over bank deposits of HK\$10.0 million (equivalent to US\$1,288,244) for general banking facilities granted to a subsidiary of the Company without obtaining written consent of the bank for general facilities granted to its Hong Kong subsidiaries. The Company has made deposits to banks as security for credit facilities granted to the PRC subsidiaries, including bank loans and bills payable.

The Company has credit facilities with a number of banks amounting to the equivalent of US\$15,880,533 and US\$4,309,111 as of March 31, 2013 and 2012 respectively. Of these amounts, HK\$10.0 million (equivalent to US\$1,288,244) and HK\$2.4 million (equivalent to US\$309,111) were denominated in Hong Kong dollars as of March 31, 2013 and 2012, respectively. The facilities are secured by the Company's deposits which are restricted in use.

Banking facilities of US\$4,826,241 and HK\$10,599 (with total equivalent to US\$4,827,607) and US\$4,000,000 and HK\$8,488 (with total equivalent to US\$4,001,093) were utilized as of March 31, 2013 and 2012.

Banking facilities of HK\$9,989,401 (equivalent to US\$1,286,878) and RMB60,661,802 (equivalent to US\$9,766,048) remained unutilized as of March 31, 2013, and HK\$2,391,512 (equivalent to US\$308,018) remained unutilized as of March 31, 2012.

The weighted average interest rate of the bank loans for the years ended March 31, 2013 and 2012 was 0.48% and 1.02% per annum respectively with an average maturity of 189 and 87 days from March 31, 2013 and 2012, respectively.

## 15. 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 Day, 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.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. OTHER INCOME (EXPENSES), NET

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	US\$	US\$	US\$
Foreign exchange gains (losses), net	23,900	184,706	(549,771)
Gains (Losses) on disposal of property, plant and equipment	463,358	(86,015)	(3,662)
Impairment of property, plant and equipment	—	(1,230,727)	—
Rental income from other third parties	177,556	—	9,886
Management fee received from other third party	—	—	18,641
Reversal (Accrual) for potential tax surcharge, net	(60,622)	46,086	(80,472)
Reversal of compensation for potential litigation	—	500,000	—
Government grants	443,468	439,471	856,372
Sale of scrap materials	213,718	—	—
Others	310,201	69,978	60,056
	<u>1,571,579</u>	<u>(76,501)</u>	<u>311,050</u>

Other income (expenses), net from:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	US\$	US\$	US\$
Continuing operations	845,806	1,116,279	370,274
Discontinued operations	<u>725,773</u>	<u>(1,192,780)</u>	<u>(59,224)</u>
	<u>1,571,579</u>	<u>(76,501)</u>	<u>311,050</u>

17. 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 and Mainland China.

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% on their assessable income arising in Hong Kong during the fiscal years ended March 31, 2013, 2012 and 2011. 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 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, were entitled to a preferential tax rate of 27% (24% reduced tax rate and 3% local income tax rate) for the calendar years ended prior to December 31, 2008. During the 5<sup>th</sup> Session of the 10<sup>th</sup> National People’s Congress of the PRC, which was concluded on March 16, 2007, a unified enterprise income tax law, or EIT was approved and became effective on January 1, 2008. The New EIT Law introduced a wide range of changes which include 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 was exempted from corporate income tax for its first two profit-making years and is entitled to a 50% tax reduction for the succeeding three years. DGLAD has qualified as a High and New Technology Enterprise (“HNTE”). Accordingly, after the expiry of its Tax Holiday in December 2011, DGLAD became subject to a preferential tax rate of 15% commencing from January 2012. The EIT of DWS for fiscal years 2013, 2012 and 2011 remained 25%.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. INCOME TAXES (continued)

Income tax expense (benefit) consists of:

	<u>2013</u> US\$	<u>2012</u> US\$	<u>2011</u> US\$
<b>Continuing Operations</b>			
Income tax expense (benefit):			
Current	(820,039)	1,229,229	110,215
Deferred	(21,861)	(604)	93,907
Income tax expense (benefit) from continuing operations	<u>(841,900)</u>	<u>1,228,625</u>	<u>204,122</u>
	<u>2013</u> US\$	<u>2012</u> US\$	<u>2011</u> US\$
<b>Discontinued Operations</b>			
Income tax expense:			
Current	—	25,263	—
Income tax expense from discontinued operations	—	25,263	—
Total income tax expense (benefit)	<u>(841,900)</u>	<u>1,253,888</u>	<u>204,122</u>

The reconciliation of income tax expense (benefit) computed at the Hong Kong statutory income tax rate to the total income (loss) from continuing operations and discontinued operations before income taxes at the effective income tax rate is as follows:

	<u>2013</u> US\$	<u>2012</u> US\$	<u>2011</u> US\$
Income tax expenses (benefit) at the Hong Kong statutory income tax rate	(480,671)	440,752	(657,339)
Foreign rate differential	30,822	200,857	(69,068)
Non-taxable other income	(386,664)	(294,827)	(79,153)
Non-tax deductible expenses	670,389	1,124,153	554,562
Under (over) provision of tax in prior periods	(1,314,491)	206,387	149,531
Unrecognized (utilized) tax benefits	223,959	569,997	(1,110,579)
Changes in valuation allowance	<u>414,756</u>	<u>(993,431)</u>	<u>1,416,168</u>
Total income tax expense (benefit) at the Company's effective income tax rate	<u>(841,900)</u>	<u>1,253,888</u>	<u>204,122</u>
Hong Kong statutory income tax rate	16.5%	16.5%	16.5%
Effective income tax rate	<u>28.9%</u>	<u>46.9%</u>	<u>(5.0%)</u>

## 17. INCOME TAXES (continued)

Deferred tax assets and liabilities as of March 31, 2013 and 2012 comprise the following:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
	US\$	US\$
<b>Deferred tax assets:</b>		
Impairment of property, plant and equipment	2,031,131	2,097,590
Provision for inventories	196,834	126,016
Provision for warranty	111,903	191,653
Operating losses carried forward	<u>3,418,116</u>	<u>2,770,145</u>
Gross deferred tax assets	5,757,984	5,185,404
Less: Valuation allowance for deferred tax assets	<u>(5,757,984)</u>	<u>(5,185,404)</u>
Net deferred tax assets	<u>—</u>	<u>—</u>
<b>Deferred tax liabilities:</b>		
Other temporary differences	—	—
Tax over book depreciation of property, plant and equipment	<u>(5,180)</u>	<u>(27,017)</u>
Total deferred tax liabilities	<u>(5,180)</u>	<u>(27,017)</u>

	<b>Fiscal years ended</b>		
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	2013	2012	2011
	US\$	US\$	US\$
<b>Valuation allowance:</b>			
Balance at beginning of fiscal year	5,185,404	6,057,516	4,553,687
Additions (reversals)	414,756	(993,431)	1,416,168
Exchange realignment	<u>157,824</u>	<u>121,319</u>	<u>87,661</u>
Balance at end of fiscal year	<u>5,757,984</u>	<u>5,185,404</u>	<u>6,057,516</u>

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, 2013 and 2012, the Company had tax losses carried forward of US\$23,591,422 and US\$20,843,486, respectively, which included tax losses of US\$4,114,021 and US\$2,196,670 respectively that are available indefinitely for offsetting against future taxable income of the companies in which these losses arose. Tax losses of US\$19,477,401 and US\$18,646,816 as at March 31, 2013 and 2012, respectively, may be carried back for 2 years or carried forward for 20 years from the year the tax losses arose.

A reconciliation of the movements of unrecognized tax benefits under FASB ASC 740 during the fiscal years ended March 31, 2013 and 2012, exclusive of related interest and penalties, is as follows:

	<b>Fiscal years ended</b>	
	<u>March 31,</u>	<u>March 31,</u>
	2013	2012
	US\$	US\$
Balance at beginning of fiscal year	9,117,443	7,437,277
Additions based on tax positions related to the current year	799,637	1,946,753
Reduction for tax positions related to prior year	<u>(1,070,199)</u>	<u>(415,227)</u>
Exchange realignment	23,796	148,640
Balance at end of fiscal year	<u>8,870,677</u>	<u>9,117,443</u>

17. INCOME TAXES (continued)

As of March 31, 2013 and 2012, the Company's unrecognized tax benefits under FASB ASC 740 of US\$4,879,338 and US\$5,701,782, respectively, are presented in the consolidated balance sheets within income tax payable. The remaining balance of US\$3,991,339 and US\$3,415,661 as of March 31, 2013 and 2012, respectively, are set off against the corresponding tax losses carried forward.

If the unrecognized tax benefits under FASB ASC 740 as of March 31, 2013 were realized in a future period, these would result in a tax benefit of US\$4,879,338 (US\$5,701,782 as of March 31, 2012) and a reduction of the Company's effective tax rate.

For all the years presented and in accordance with FASB ASC 740, 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, 2013 and 2011, the Company reversed interest and potential penalties of US\$1,021,397 and US\$227,702, respectively, relating to certain uncertain tax positions in its consolidated statement of operations and comprehensive income. For the fiscal year ended March 31, 2012, the Company accrued interest and potential penalties of US\$121,032 relating to certain uncertain tax positions in its consolidated statement of operations and comprehensive income. As of March 31, 2013 and 2012, the Company had accrued interest and potential penalties relating to uncertain tax positions amounting to US\$651,721 and US\$1,667,602, respectively.

One of the Company's wholly-owned subsidiaries was under examination by the Hong Kong tax authority in prior years. The tax period open for examination by the tax authority included the fiscal years ended March 31, 2003 through 2011. During fiscal 2013, the Company's subsidiary and the Hong Kong tax authority reached an agreement to settle the tax audit case with additional assessable profits of HK\$12,520,654 (equivalent to US\$1,612,967) being raised together with penalty and interest on tax undercharged, for which the amount had already been provided for within FASB ASC 740. The amounts of penalty and interest expenses were HK\$2,000,000 and HK\$466,249 (equivalent to US\$257,649 and US\$60,064), respectively, which were included in "Other income, net" and "Interest income, net" from continuing operations.

The PRC tax authorities could determine that any inter-company payable account in accordance with PRC GAAP could be deemed income if such inter-company payables can not to be settled and therefore would be subject to taxation. In accordance with FASB ASC 740, we evaluated our position and determined that such inter-company payables will be settled, particularly since prior year tax assessments have been confirmed by the PRC tax authorities and such inter-company payables were not deemed as income.

Except as noted above, based on existing tax regulations in the Company's various operating jurisdictions, tax years 2010-2012 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.

18. DISCONTINUED OPERATIONS

As previously disclosed and discussed elsewhere in this annual report, the Company completed its exit from the home appliance business in January 2012.

In the fiscal periods preceding the Company's exit from the home appliance business, profit margins had been rapidly decreasing, due at least in part, to the rising cost of raw materials and labor in the PRC, together with the unwillingness or inability of our customers to offset these costs through pricing increases. Customer pricing demands no longer reflected actual production costs and as a result, margins in recent years approached unacceptable levels, with the home appliance segment actually suffering significant losses in fiscal 2011.

In accordance with guidance contained in FASB ASC 205-20 "Discontinued Operations", the results of operations for the home appliance operations have been excluded from continuing operations and reported as discontinued operations for the current and prior periods.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. DISCONTINUED OPERATIONS (continued)

	<u>2013</u> US\$	<u>2012</u> US\$	<u>2011</u> US\$
Net Sales	—	53,885,407	43,485,638
Cost of goods sold	—	(44,386,508)	(40,658,730)
Gross profit	—	9,498,899	2,826,908
Selling, general and administrative expenses	—	(6,904,111)	(4,511,573)
Other operating loss	—	—	(31,990)
Operating profit (loss)	—	2,594,788	(1,716,655)
Interest expense, net	—	(2,403)	—
Other income (expense), net	725,773	(1,192,780)	(59,224)
Income tax expenses	—	(25,263)	—
Income (Loss) from discontinued operations	<u>725,773</u>	<u>1,374,342</u>	<u>(1,775,879)</u>

Other income (expense), net in fiscal 2013 represented the sale of equipment and materials that had previously been written off.

An impairment loss of US\$1,230,727 was recognized in the income (loss) from discontinued operations in fiscal 2012 for machinery and equipment that was used in the operations of the home appliance segment.

19. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share of common stock of the Company for the fiscal years ended March 31, 2013, 2012 and 2011 is computed in accordance with 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:

	<u>2013</u> US\$	<u>2012</u> US\$	<u>2011</u> US\$
<b>Numerator for basic and diluted earnings (loss) per share:</b>			
Income (Loss) from continuing operations	(2,797,032)	42,994	(2,412,120)
Income (Loss) from continuing operations attributable to non-controlling interests	107,958	(6,659)	175,028
Income (Loss) from continuing operations attributable to shareholders of Global-Tech Advanced Innovations Inc.	(2,689,074)	36,335	(2,237,092)
Income (Loss) from discontinued operations	<u>725,773</u>	<u>1,374,342</u>	<u>(1,775,879)</u>
Profit (Loss) attributable to common stockholders	<u>(1,963,301)</u>	<u>1,410,677</u>	<u>(4,012,971)</u>
<b>Denominator for basic and diluted earnings (loss) per share:</b>			
Weighted average number of shares of common stock	<u>3,040,310</u>	<u>3,039,727</u>	<u>3,039,454</u>
<b>Basic and diluted earnings (loss) per share:</b>			
Earnings (Loss) from continuing operations	(0.88)	0.01	(0.74)
Earnings (Loss) from discontinued operations	0.23	0.45	(0.58)
Earnings (Loss) attributable to common stockholder	<u>(0.65)</u>	<u>0.46</u>	<u>(1.32)</u>

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (continued)

369,752 and 365,369 stock options of Global-Tech were excluded from the computation of diluted earnings (loss) per share for the fiscal years ended March 31, 2013 and 2011 respectively, because their inclusion would have been anti-dilutive.

During the fiscal year ended March 31, 2012, the weighted average share price of the Company during the year was below the exercise prices of all stock options as at March 31, 2012, resulting in no incremental common shares for that year for the purpose of diluted earnings per share calculation.

20. COMMITMENTS

(a) Capital commitments

As of March 31, 2013 and 2012, the Company had capital commitments contracted but not provided for of US\$4,211,595 and US\$169,682, respectively, for the purchase of property, plant and equipment.

(b) Operating lease commitments

In addition to the land use rights described in note 11 to the consolidated 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 11 to the consolidated financial statements, for the fiscal years ended March 31, 2013, 2012 and 2011 of US\$361,918, US\$352,206 and US\$445,327, respectively, and recorded lease rental income of US\$177,556, nil and US\$9,886 for the fiscal years ended March 31, 2013, 2012 and 2011, respectively. Future minimum lease payments under non-cancelable operating leases as of March 31, 2013 and 2012 were as follows:

	<u>March 31,</u> <u>2013</u>	<u>March 31,</u> <u>2012</u>
	US\$	US\$
Payable:		
Within one year	754,386	511,654
Over one year but not exceeding two years	374,706	521,448
Over two years but not exceeding three years	352,478	369,319
Over three years but not exceeding four years	352,478	347,410
Over four years but not exceeding five years	352,478	347,410
Over five years	8,929,433	9,136,892
	<u>11,115,959</u>	<u>11,234,133</u>

Subsequent to March 31, 2013, the subsidiaries of the Company renewed the tenancy agreements with the related companies and extended the leasing term for one year to March 31, 2014, with future lease payments due of US\$75,362 not reflected in the table above.

21. CONTINGENCIES

- (a) 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 related 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. 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. No further activity occurred in this case through March 31, 2013.

In accordance with FASB ASC 450 “Contingencies”, the Company believes that with such a lengthy interval between the claim being filed and there being no activity between the two parties, the probability that the Company will incur a loss is remote. Accordingly, the provision for this contingent liability of US\$0.9 million was reversed during the year ended March 31, 2011.

## 21. CONTINGENCIES (continued)

- (b) As of March 31, 2013, the Company has accrued as a current liability US\$4,879,338 for unrecognized tax benefits and US\$651,721 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 statutes 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.

## 22. OTHER ACCRUED LIABILITIES

	March 31, 2013	March 31, 2012
	US\$	US\$
Accrued expenses	2,241,659	2,587,698
Other tax payable	997,001	2,189,302
Land use right payable – operating lease	784,400	793,301
Other payables for procuring materials for customers	5,194,086	—
Other payable	426,492	1,067,550
	<u>9,643,638</u>	<u>6,637,851</u>

## 23. EMPLOYEE BENEFITS

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

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\$1,250 (approximately US\$161), subject to a cap of a monthly basic salary of HK\$25,000 (approximately US\$3,221). Qualified employees are entitled to 100% of the Company’s contributions together with accrued returns irrespective of their length of service with the Company, but the benefits are required by law to be preserved until the retirement age of 65.

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, 2013, 2012 and 2011 were US\$48,075, US\$61,107 and US\$72,878, respectively.

According to the relevant laws and regulations in the PRC, the Company is required to contribute 17.3% of the stipulated employee salary set by the local government of Dongguan to certain social insurance, medical and retirement benefit schemes for its employees. No forfeited contributions may be used by the employer to reduce the existing level of contributions. The Company also provides housing, medical care and subsidized meals to all existing factory employees. The aggregate amounts incurred by and provided for the Company for all such benefits were US\$1,963,173 and US\$2,547,639 during the fiscal years ended March 31, 2013 and 2011, respectively. However, as a result of the payment of severance in accordance with government rules upon the exit from the Home Appliances segment, the Company recognized a net benefit of US\$449,557 during the fiscal year ended March 31, 2012 due to a reversal of social insurance provisions accrued for previous years.

24. SEGMENT INFORMATION

The Company operates in three segments: Electronic Components, Electronic Manufacturing Services (“EMS”) and Others for the fiscal year ended 2013. These segments are operated and managed as separate strategic business units that offer different products/services. The Company’s “Electronic Components” segment produces complementary metal oxide semiconductor (“CMOS”) CCMs primarily for sale to cellular phone and tablet manufacturers in Mainland China. The Company’s EMS 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, 2013, 2012 and 2011.

As stated in note 18 – “Discontinued Operations” of Notes to Consolidated Financial Statements, the Home Appliance segment was discontinued effective in January 2012. The results of operations of the Home Appliance segment have been classified as “Income (Loss) from discontinued operations” on the face of the consolidated statement of operations and comprehensive income. The segment profit for fiscal year ended March 31, 2013 represented sales of equipments and materials that had previously been written off.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. SEGMENT INFORMATION (continued)

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

	Home Appliances# US\$	Electronic Components US\$	EMS US\$	Others US\$	Corporate US\$	Combined US\$
<b>As of or for the fiscal year ended March 31, 2013</b>						
Revenues from external customers	—	65,188,724	14,256,314	1,638,346	—	81,083,384
Capital expenditure	—	6,484,577	767,186	358,813	3,055	7,613,631
Interest income	—	—	—	—	839,557	839,557
Interest expense	—	(109,749)	—	—	774,358	664,609
Depreciation and amortization	—	554,337	1,336,208	223,915	1,328,267	3,442,727
Segment profit (loss)	725,773	3,687,547	(3,314,836)	(1,182,894)	(1,878,891)	(1,963,301)
Total assets	34	29,618,065	16,203,482	1,114,654	61,289,608	108,225,843
<b>As of or for the fiscal year ended March 31, 2012</b>						
Revenues from external customers	53,885,407	54,431,519	14,439,926	781,260	—	123,538,112
Capital expenditure	240,763	226,277	273,926	73,281	—	814,247
Interest income	—	—	—	—	377,074	377,074
Interest expense	(2,403)	(104,517)	—	321	(177,401)	(284,000)
Depreciation and amortization	1,522,962	594,746	1,268,736	76,809	98,577	3,561,830
Segment profit (loss)	1,374,342*	2,885,762	221,655	(640,020)	(2,431,062)	1,410,677
Total assets	313,033	34,554,319	11,614,176	739,106	61,819,375	109,040,009
<b>As of or for the fiscal year ended March 31, 2011</b>						
Revenues from external customers	43,485,638	42,621,597	14,742,075	105,194	—	100,954,504
Capital expenditure	217,028	807,077	3,598,918	40,345	—	4,663,368
Interest income	—	—	—	—	498,837	498,837
Interest expense	—	(268,219)	(2,604)	—	308,173	37,350
Depreciation and amortization	1,599,996	557,353	971,836	62,690	140,261	3,332,136
Segment profit (loss)	(1,775,879)	1,400,572	(695,296)	(960,777)	(1,981,591)	(4,012,971)
Total assets	22,234,345	23,809,159	15,066,413	703,412	58,122,805	119,936,134

# As discussed in note 18, the Home Appliance segment was discontinued on January 15, 2012. The results of the operations has been classified as discontinued operations on the face of the consolidated statement of operations and comprehensive income.

\* An impairment loss of US\$1,230,727 was recognized in the consolidated statement of operations and comprehensive income for machinery that was used in the operation of the Home Appliances segment in 2012. No impairment loss was recognized in 2013 and 2011.

## 24. SEGMENT INFORMATION (continued)

- (b) Net sales including net sales of discontinued operations by geographic area based on the location of customers are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	US\$	US\$	US\$
Australia	533,077	501,665	562,066
Europe	326,298	4,469,428	3,213,506
North America	49,423	47,969,847	38,808,728
Asia	80,174,586	70,596,126	58,360,791
Other regions	—	1,046	9,413
	<u>81,083,384</u>	<u>123,538,112</u>	<u>100,954,504</u>

- (c) Net sales including net sales of discontinued operations by product/service type

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	US\$	US\$	US\$
Floor care products	—	51,056,019	40,013,087
Kitchen appliances	533,077	755,607	1,081,498
CCMs	63,913,523	53,094,225	41,592,838
Cellular phone assembly services	14,256,314	14,439,927	14,648,779
Others	2,380,470	4,192,334	3,618,302
	<u>81,083,384</u>	<u>123,538,112</u>	<u>100,954,504</u>

- (d) Long-lived assets\*

	<u>March 31,</u>	<u>March 31,</u>
	2013	2012
	US\$	US\$
Hong Kong	150,734	210,800
Mainland China	29,404,484	24,806,115
	<u>29,555,218</u>	<u>25,016,915</u>

- \* 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, 2013, 2012 and 2011, amounted to nil, US\$1,230,727 and nil, respectively. The impairment loss for the fiscal year ended March 31, 2012 was included in "Income (Loss) from discontinued operations".

## 24. SEGMENT INFORMATION (continued)

## (f) Major customers

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

	<u>2013</u> US\$	<u>2012</u> US\$	<u>2011</u> US\$
From continuing operations:			
ZTE Corporation ("ZTE")	9,011,148	24,227,414	8,797,843
Shenzhen Tinno Mobile Technology Co. Ltd. ("Tinno")	8,636,784	13,018,044	13,677,827
Lenovo Mobile Communication Technology Ltd. ("Lenovo")	26,799,405	11,698,569	12,712,077
Dongguan Huabel Electronic Technology Co. Ltd. ("Huabel")	9,799,379	5,245	109
From discontinued operations:			
Electrolux S.A. and subsidiaries ("Electrolux")	<u>—</u>	<u>52,339,623</u>	<u>42,006,085</u>

During the fiscal years ended March 31, 2013, 2012 and 2011, 11.1%, 19.6% and 8.7%, respectively of the Company's combined net sales including discontinued operations were made to ZTE, which is an unrelated customer. As of March 31, 2013, 2012 and 2011, 11.2%, 58.9% and 17.7%, respectively of the Company's total accounts and bills receivable were from ZTE. ZTE is a customer of the Company's electronic components and EMS segments.

During the fiscal years ended March 31, 2013, 2012 and 2011, 33.0%, 9.5% and 12.6%, respectively of the Company's combined net sales including discontinued operations were made to Lenovo, which is an unrelated customer. As of March 31, 2013, 2012 and 2011, 34.2%, 19.4% and 19.2%, respectively of the Company's total accounts and bills receivable were from Lenovo. Lenovo is a customer of the Company's electronic components segment.

During the fiscal years ended March 31, 2013, 2012 and 2011, 10.7%, 10.5% and 13.61%, respectively of the Company's combined net sales including discontinued operations were made to Tinno, which is an unrelated customer. As of March 31, 2013, 2012 and 2011, 3.2%, 3.4% and 9.6%, respectively of the Company's total accounts and bills receivable were from Tinno. Tinno is a customer of the Company's electronic components and EMS segments.

During the fiscal years ended March 31, 2013, 2012 and 2011, 12.0%, 0.00% and 0.00%; respectively of the Company's combined net sales including discontinued operations were made to Huabel, which is an unrelated customer. As of March 31, 2013, 2012 and 2011, 25.3%, nil and nil, respectively of the Company's total accounts and bills receivable were from Huabel. Huabel is a customer of the Company's electronic components segments.

During the fiscal years ended March 31, 2013, 2012 and 2011, 0.0%, 42.4% and 41.6%, respectively, of the Company's combined net sales including discontinued operations were made to Electrolux, which is an unrelated customer. As of March 31, 2013, 2012 and 2011, nil, nil and 35.7%, respectively, of the Company's total accounts and bills receivable were from Electrolux. Electrolux was the major customer of the Company's home appliances segment.

The Company was a contract manufacturer of floor care products that are marketed by Electrolux under its respective brand names.

25. CONCENTRATION OF RISKS

*Concentration of credit risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk primarily consist of cash and cash equivalents, 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, 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 orders, 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 their sales 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.

*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 from continuing operations to 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 Hong Kong and Mainland China, and by the general state of the Hong Kong and Mainland China economies.

The Company's operations may be adversely affected by significant political, economic and social uncertainties in Mainland China. Although the 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 in previous years from discontinued operations were 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 Company to customer specifications. In the event of a recall required by the CPSC, the customers may require the Company to provide replacement conforming units at our cost, which could have a material adverse effect on its business, quality reputation and results of operations.

26. FINANCIAL INSTRUMENTS

The Company's financial instruments that are subject to credit risks are limited to its cash and cash equivalents, restricted cash, available-for-sale investments, accounts and bills receivable, financial assets included in deposits and other assets, amounts due from a related party.

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.

## 26. FINANCIAL INSTRUMENTS (continued)

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, 2013 and 2012. There were no material unrecognized financial assets and liabilities as of March 31, 2013 and 2012.

	Carrying value		Fair value	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>Current financial assets:</b>				
Cash and cash equivalents	32,385,376	39,792,733	32,385,376	39,792,733
Restricted cash	14,592,289	4,546,062	14,592,289	4,546,062
Available-for-sale investments	17,153	2,006,066	17,153	2,006,066
Accounts and bills receivable	19,713,608	30,273,062	19,713,608	30,273,062
Financial assets included in deposits and other assets	3,846,653	401,815	3,846,653	401,815
Amount due from a related party	18,841	11,798	18,841	11,798
	<u>70,573,920</u>	<u>77,031,536</u>	<u>70,573,920</u>	<u>77,031,536</u>
<b>Non-current financial assets:</b>				
Available-for-sale investments	1,045,200	1,033,800	1,045,200	1,033,800
<b>Total financial assets</b>	<u><b>71,619,120</b></u>	<u><b>78,065,336</b></u>	<u><b>71,619,120</b></u>	<u><b>78,065,336</b></u>

	Carrying value		Fair value	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>Current financial liabilities:</b>				
Short term bank loans	4,826,241	4,000,000	4,826,241	4,000,000
Accounts payable	7,134,526	8,163,510	7,134,526	8,163,510
Accrued salaries, allowances and other employee benefits	4,367,642	3,102,335	4,367,642	3,102,335
Other accrued liabilities	9,643,638	6,637,851	9,643,638	6,637,851
<b>Total financial liabilities</b>	<u><b>25,972,047</b></u>	<u><b>21,903,696</b></u>	<u><b>25,972,047</b></u>	<u><b>21,903,696</b></u>

The carrying amounts of the Company's cash and cash equivalents, restricted cash, accounts and bills receivable, financial assets included in deposits and other assets, amounts due from a related party, accounts payable, 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 and restricted cash are placed primarily with banking institutions in the PRC 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\$71,619,120 and US\$78,065,336 as at March 31, 2013 and 2012, respectively.

## 27. FAIR VALUE MEASUREMENTS

FASB ASC 820 “Fair Value Measurement and Disclosures”, the Company adopted in fiscal 2009, clarify 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, it 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.

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 FASB ASC 820 inputs, including quoted market price.

Assets measured at fair value on a recurring basis as of March 31, 2013 and 2012 are summarized below:

	<u>Fair Value Measurements</u>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>2013</u>	<u>2012</u>
	<u>Quoted prices in active</u>	
	<u>markets for identical assets</u>	
	<u>US\$</u>	<u>US\$</u>
<b>Assets</b>		
Level 1:		
Available-for-sale investments:		
Listed equity securities	17,153	6,066
Level 2:		
Available-for-sale investments:		
Unlisted investments	1,045,200	3,033,800
Total financial assets measured at fair value	<u>1,062,353</u>	<u>3,039,866</u>

## 28. STOCK COMPENSATION

## (a) Amended and Restated 1997 Stock Option Plan of Global-Tech

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.

The 1997 Plan is administered by the Board of Directors, or a committee of directors appointed by the Board, 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 1997 Plan 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 1997 Plan may be established by the Board of Directors

28. STOCK COMPENSATION (continued)

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 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 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.

No options issued pursuant to the 1997 Plan were exercised or expired during fiscal 2011.

During fiscal 2012, an aggregate of 1,250 options with exercise prices of US\$25.00 and US\$30.56 per share were forfeited upon resignation of the relevant participants and 82,167 options with exercise prices between US\$19.00 and US\$25.00 per share expired including 65,500 options granted to Directors.

During fiscal 2013, an aggregate of 5,950 options with exercise prices of US\$15.60 to US\$30.56 per share were forfeited upon resignation of the relevant participants, employment contract.

(b) 2005 Stock Option Plan of Global-Tech

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 2005 Plan is 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 Plan 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 Plan 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 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. 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.

During fiscal 2011, 20,000 options were granted and none were forfeited.

During fiscal 2012, no options were granted and none were forfeited.

During fiscal 2013, no options were granted and none were forfeited.

(c) Global-Tech Advanced Innovations Inc. 2011 Omnibus Equity Plan

The Global-Tech Advanced Innovations Inc. 2011 Omnibus Equity Plan (the "Omnibus Plan") was adopted by our Board of Directors in October 2010 and approved by the Company's shareholders in November 2010. The plan provides for the grant of stock options (non-statutory and incentive), stock appreciation rights, restricted stock units, performance shares and common shares.

A committee authorized by the Board of Directors (the "Committee") will administer the Omnibus Plan. Unless otherwise determined by the Board of Directors, the Compensation Committee will administer the Omnibus Plan. Subject to the terms of the Omnibus Plan, the Committee has the sole discretion to select the employees, consultants, and non-employee directors who will receive awards, determine the terms and conditions of awards, and to interpret the provisions of the Omnibus Plan and outstanding awards. The Committee may not, without the approval of the Company's shareholders,

## 28. STOCK COMPENSATION (continued)

## (c) Global-Tech Advanced Innovations Inc. 2011 Omnibus Equity Plan (continued)

institute an exchange program under which outstanding awards are amended to provide for a lower exercise price or cancelled in exchange for awards with a lower exercise price.

Awards granted under the Omnibus Plan are generally not transferable, and all rights with respect to an award granted to a participant generally will be available during a participant's lifetime only to the participant. If the Committee makes an award transferable, such award will contain such additional terms and conditions as the committee deems appropriate.

For the fiscal years ended March 31, 2012 and 2011, no shares or options was granted under the 2011 Omnibus Equity Plan.

For the fiscal year ended March 31, 2013, 73,000 options were granted to officers and directors, 5,000 options to an employee and 8,000 options to a consultant.

Under the 1997 Plan and the 2005 Plan (the "Plans"), 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.

The total compensation expense recognized in the SG&A line item in the consolidated statement of operations and comprehensive income for the fiscal years ended March 31, 2013, 2012 and 2011 amounted to US\$258,128, US\$34,121 and US\$470,109, respectively.

Changes in outstanding options under both the 1997 Plan, the 2005 Plan and the Omnibus Plan during the fiscal years ended March 31, 2013, 2012 and 2011 are as follows:

	2013				
	Number of options	Range of exercise price US\$ (per share)	Weighted average exercise price US\$ (per share)	Weighted average remaining contractual term (years)	Aggregate intrinsic value US\$
Outstanding, at beginning of fiscal year	339,701	8.99 – 30.56	17.66	3.96	—
Granted	86,000	4.75	4.75		
Expired	—	—	—		
Exercised	—	—	—		
Forfeited	(5,950)	15.60 – 30.56	21.26		
Outstanding, at end of fiscal year	<u>419,751</u>	4.75 – 30.56	14.96	4.28	—
Vested and expected to be vested at March 31, 2013	<u>419,751</u>	4.75 – 30.56	14.96	4.28	—
Exercisable, at end of fiscal year	<u>369,752</u>	4.75 – 30.56	13.41	4.60	

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. STOCK COMPENSATION (continued)

Changes in outstanding options under both the 1997 Plan and the 2005 Plan during the fiscal years ended March 31, 2013, 2012 and 2011 are as follows: (continued)

	2012				
	Number of options	Range of exercise price US\$ (per share)	Weighted average exercise price US\$ (per share)	Weighted average remaining contractual term (years)	Aggregate intrinsic value US\$
Outstanding, at beginning of fiscal year	423,118	8.99-30.56	18.00	4.01	—
Granted	—	—	—	—	—
Expired	(82,167)	19.00-25.00	19.22	—	—
Exercised	—	—	—	—	—
Forfeited	(1,250)	25.00-30.56	29.45	—	—
Outstanding, at end of fiscal year	<u>339,701</u>	8.99-30.56	17.66	3.96	—
Vested and expected to be vested at March 31, 2012	<u>339,701</u>	8.99-30.56	17.66	3.96	—
Exercisable, at end of fiscal year	<u>287,452</u>	8.99-30.56	16.06	4.17	—

	2011				
	Number of options	Range of exercise price US\$ (per share)	Weighted average exercise price US\$ (per share)	Weighted average remaining contractual term (years)	Aggregate intrinsic value US\$
Outstanding, at beginning of fiscal year	403,118	13.20-30.56	18.44	4.78	—
Granted	20,000	8.99	8.99	—	—
Expired	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
Outstanding, at end of fiscal year	<u>423,118</u>	8.99-30.56	18.00	4.01	—
Vested and expected to be vested at March 31, 2011	<u>423,118</u>	8.99-30.56	18.00	4.01	—
Exercisable, at end of fiscal year	<u>365,369</u>	8.99-30.56	16.90	3.94	—

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 450,000 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 vested and were issued on the first anniversary of the date of the stock grant and 750 shares of such common stock vested and were issued on the second, third, fourth, and fifth anniversaries of the date of the stock grant, respectively. 1,500 shares were issued during fiscal year 2013.

## 28. STOCK COMPENSATION (continued)

Changes in stock grants during the fiscal years ended March 31, 2013, 2012 and 2011 are as follows:

	2013		2012		2011	
	Stock	Weighted average grant-date fair value US\$	Stock	Weighted average grant-date fair value US\$	Stock	Weighted average grant-date fair value US\$
Non-vested, at beginning of fiscal year	750	10,380	750	10,380	1,500	20,760
Granted	—	—	—	—	—	—
Vested	(750)	10,380	—	—	(750)	10,380
Non-vested, at end of fiscal year	<u>—</u>	<u>—</u>	<u>750</u>	<u>10,380</u>	<u>750</u>	<u>10,380</u>

The total fair value of the 750 shares of common stock vested during the fiscal years ended March 31, 2013 and 2011 was US\$6,503 and US\$5,085, respectively.

The expense for employee stock purchase plan recognized in the SG&A line item in the consolidated statement of operations and comprehensive income for the fiscal years ended March 31, 2013, 2012 and 2011 amounted to US\$9,108, nil and US\$1,969 respectively.

Further details relating to the options granted under the 1997 Plan, the 2005 Plan and the Omnibus Plan that are outstanding as of March 31, 2013 are as follows:

Number of options	Options outstanding as of March 31, 2013			Options exercisable as of March 31, 2013	
	Range of exercise price per option US\$ (per share)	Weighted average remaining contractual life (years)	Weighted average exercise price per option US\$ (per share)	Number of options	Weighted average exercise price per option US\$ (per share)
86,000	4.75	9.31	4.75	82,250	4.75
20,000	8.99	6.70	8.99	15,000	8.99
248,251	13.20 – 15.60	3.29	14.87	248,251	14.87
65,500	30.40 – 30.56	0.70	30.55	24,251	30.54
<u>419,751</u>				<u>369,752</u>	

As of March 31, 2013 and 2012, there was an unrecognized share-based compensation cost of nil and US\$1,969, relating to stock granted to an employee under the 1999 Employee Stock Purchase Plan respectively. The unrecognized compensation cost for stocks granted is expected to be recognized over a weighted-average vesting period of two years and five years. 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 of the options granted was estimated on the date of grant using the following assumptions:

	2013	2012	2011
Risk-free Interest Rate	0.97% - 1.50%	—	3.45%
Expected Dividend Yield	—	0%	0%
Expected Option Life	7 – 10 years	—	7 years
Expected Stock Price Volatility	53.28% - 58.71%	—	59.00%

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. 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 RMB364,074,602 (approximately US\$58,607,593) as of March 31, 2013.

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

**Balance sheets**

	March 31, 2013 US\$	March 31, 2012 US\$
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	19,405,865	21,984,305
Available-for-sale investments	—	2,000,000
Prepaid expenses	46,903	43,210
Deposits and other assets	40,087	24,723
<b>Total current assets</b>	<b>19,492,855</b>	<b>24,052,238</b>
Interests in subsidiaries	55,812,262	55,206,077
Available-for-sale investments	1,045,200	1,033,800
<b>Total assets</b>	<b>76,350,317</b>	<b>80,292,115</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Other accrued liabilities	92,114	201,483
<b>Total liabilities</b>	<b>92,114</b>	<b>201,483</b>
Shareholders' equity:		
Common stock, par value US\$0.04 per share; 12,500,000 shares authorized; 3,230,814 and 3,229,314 shares issued as of March 31, 2013 and 2012	129,233	129,173
Preferred stock, par value US\$0.04 per share; 250,000 shares authorized; no shares issued	—	—
Additional paid-in capital	85,053,402	84,786,226
Statutory reserves	1,238,361	—
Accumulated deficit	(15,932,941)	(9,690,526)
Accumulated other comprehensive income	10,709,740	9,697,445
Less: Treasury stock, at cost, 189,587 shares as of March 31, 2013 and 2012	(4,663,321)	(4,663,321)
<b>Total Global-Tech Advanced Innovations Inc. shareholders' equity</b>	<b>76,534,474</b>	<b>80,258,997</b>
Non-controlling interests	(276,271)	(168,365)
<b>Total equity</b>	<b>76,258,203</b>	<b>80,090,632</b>
<b>Total liabilities and shareholders' equity</b>	<b>76,350,317</b>	<b>80,292,115</b>

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

**Statements of operations and comprehensive income**

	Fiscal years ended March 31,		
	2013 US\$	2012 US\$	2011 US\$
Net sales	—	—	—
Cost of goods sold	—	—	—
Gross profit	—	—	—
Selling, general and administrative expenses	(1,071,502)	(1,158,531)	(1,252,554)
Operating loss	(1,071,502)	(1,158,531)	(1,252,554)
Interest income, net	344,582	35,349	29,831
Equity in profits (losses) of subsidiaries	(484,185)	1,923,914	(2,155,198)
Other income (expense), net	(752,196)	609,945	(635,050)
Net income (loss) attributable to shareholders of Global-Tech Advanced Innovations Inc.	(1,963,301)	1,410,677	(4,012,971)
Other comprehensive income			
Foreign currency translation adjustments	989,800	2,278,213	2,304,178
Release of unrealized loss on available-for-sale investments, net of income tax of nil, upon disposal	—	—	1,877
Unrealized gain on available-for-sale investments, net of income tax of nil	22,495	24,600	11,092
Unrealized loss on available-for-sale investments, net of income tax of nil	—	(643)	—
Total comprehensive income (loss) attributable to shareholders of Global-Tech Advanced Innovations Inc.	<u>(951,006)</u>	<u>3,712,847</u>	<u>(1,695,824)</u>

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

**Statements of cash flows**

	<u>Fiscal years ended March 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	US\$	US\$	US\$
<b>Cash flows from operating activities:</b>			
Net income (loss) attributable to shareholders of Global-Tech Advanced Innovations Inc.	(1,963,301)	1,410,677	(4,012,971)
Adjustments to reconcile net income (loss) attributable to shareholders of Global-Tech Advanced Innovations Inc. to net cash provided by operating activities:			
Stock compensation expense	258,128	34,121	470,139
Shares issued to an employee	9,108	—	1,969
Equity in losses (profits) of subsidiaries	484,185	(1,923,914)	2,155,198
Interest received from available-for-sale investments	—	(13)	—
<b>Changes in operating assets and liabilities:</b>			
Prepaid expenses	(3,693)	(2,582)	3,465
Deposits and other assets	(15,364)	4,969	(3,769)
Other accrued liabilities	(109,369)	(26,324)	(7,591)
Net cash used in operating activities	<u>(1,340,306)</u>	<u>(503,066)</u>	<u>(1,393,560)</u>
<b>Cash flows from investing activities:</b>			
Purchases of available-for-sale investments	—	(8,999,987)	(3,000,000)
Proceeds from disposal of available-for-sale investments	2,000,000	9,000,000	15,986,532
Repayment of amounts due from (advances to) subsidiaries, net	910,372	13,091,819	(639,128)
Capital injection into subsidiaries	<u>(1,107,753)</u>	<u>(1,732,162)</u>	<u>(1,858,931)</u>
Net cash provided by investing activities	<u>1,802,619</u>	<u>11,359,670</u>	<u>10,488,473</u>
<b>Cash flows from financing activities:</b>			
Cash dividend paid	<u>(3,040,753)</u>	<u>—</u>	<u>—</u>
Net cash used in financing activities	<u>(3,040,753)</u>	<u>—</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	(2,578,440)	10,856,604	9,094,913
Cash and cash equivalents at beginning of fiscal year	<u>21,984,305</u>	<u>11,127,701</u>	<u>2,032,788</u>
Cash and cash equivalents at end of fiscal year	<u><u>19,405,865</u></u>	<u><u>21,984,305</u></u>	<u><u>11,127,701</u></u>

(a) Basis of preparation

For the purposes of the preparation of the condensed financial information of Global-Tech, the Company records its interests in direct and indirect subsidiaries under the equity method of accounting as prescribed in FASB ASC 323 “Investments-Equity Method and Joint Ventures”. 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 profits (losses) of subsidiaries” on the statements of operations and comprehensive income.

(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.

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Memorandum of Association of Global-Tech, as amended (Incorporated herein by reference to Exhibit 1.4 to Global-Tech's annual report on Form 20-F for the fiscal year ended March 31, 2009)
1.2	Articles of Association of Global-Tech, as amended (Incorporated herein by reference to Exhibit 1.2 to Global-Tech's annual report on Form 20-F for the fiscal year ended March 31, 2005)
1.3	Resolution of the Board of Directors authorizing an amendment to the Articles of Association of Global-Tech, as amended (Incorporated herein by reference to Exhibit 1.3 to Global-Tech's annual report on Form 20-F for the fiscal year ended March 31, 2005)
4.1	Employment Agreement between Global-Tech and John C.K. Sham (Incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-1 filed on April 7, 1998, file number 333-8462)
4.2	Lease Agreement between Global-Tech and the People's Government of Qingxi Town, Dongguan City, Guangdong Province, together with the English language translation thereof (Incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form F-1 filed on April 7, 1998, file number 333-8462)
4.3	License Agreement between Global-Tech and the Buji Economic Development Company, together with the English language translation thereof (Incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form F-1 filed on April 7, 1998, file number 333-8462)
4.4	Amended and Restated 1997 Stock Option Plan of Global-Tech (Incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form F-1 filed on April 7, 1998, file number 333-8462)
4.5	1999 Employee Stock Purchase Plan of Global-Tech (Incorporated herein by reference to Exhibit 1 to Global-Tech's Report on Form 6-K for the month of February 1999)

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
4.6	2005 Stock Option Plan of Global-Tech (Incorporated herein by reference to Exhibit 4.40 to Global-Tech's Annual Report on Form 20-F for the fiscal year ended March 31, 2006)
4.7	Shareholders' Agreement and Share Sale and Purchase Agreement, each dated March 17, 2006, between Anwell Technologies Limited and Consortium Investment (BVI) Limited (Incorporated herein by reference to Exhibit 4.41 to Global-Tech's Annual Report on Form 20-F for the fiscal year ended March 31, 2006)

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
4.8	Global-Tech Advanced Innovations Inc. 2011 Omnibus Equity Plan (Incorporated herein by reference to Exhibit 4.3 to the Registration Statement on Form S-8 filed with the Commission on December 22, 2010)

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
4.9	Cooperation Agreement on Oversea Agency Payment Business dated August 2, 2012 between China Construction Bank Co. Ltd and Dongguan Lite Array Company Limited*
4.10	Maximum Amount Rights Pledge Contract dated August 2, 2012 between China Construction Bank Co. Ltd and Dongguan Lite Array Company Limited*
4.11	General Agreement on Import Paying Service dated April 27, 2012 between Industrial & Commercial Bank of China Co., Ltd and Dongguan Lite Array Co., Ltd.*
4.12	Maximum Amount Pledge Contract dated August 28, 2012 between Industrial & Commercial Bank of China Co., Ltd and Dongguan Lite Array Co., Ltd.*
4.13	General Agreement on Import Goods Prepayment Financing between Industrial & Commercial Bank of China Co., Ltd and Dongguan Lite Array Co., Ltd.*
4.14	Maximum Amount Pledge Contract dated April 27, 2012 between Industrial & Commercial Bank of China Co., Ltd and Dongguan Lite Array Co., Ltd.*
4.15	Import Paying Service Financing Contract dated May 23, 2012 between Agricultural Bank of China Limited and Dongguan Lite Array Co., Ltd.*
4.16	Import Paying Service Financing Contract dated June 1, 2012 between Agricultural Bank of China Limited and Dongguan Lite Array Co., Ltd.*

4.17	Maximum Amount Pledge Rights Contract dated May 23, 2012 between Agricultural Bank of China Limited and Dongguan Lite Array Co., Ltd.*
4.18	Import Paying Service Financing Contract dated December 21, 2012 between Agricultural Bank of China Limited and Dongguan Lite Array Co., Ltd.*
4.19	Maximum Amount Pledge Rights Contract dated December 20, 2012 between Agricultural Bank of China Limited and Dongguan Lite Array Co., Ltd.*
4.20	Import Paying Service Financing Contract dated January 23, 2013 between Agricultural Bank of China Limited and Dongguan Lite Array Co., Ltd.*
4.21	Pledge Rights Contract between Agricultural Bank of China Limited and Dongguan Lite Array Co., Ltd.*
4.22	Tenancy Agreement dated February 1, 2013 between Wing Shing Products Company Limited and Global Optics Limited*
8.1	List of Subsidiaries*
11.1	Code of Ethics (Incorporated by reference to Exhibit 14.1 to Global-Tech's Annual Report on Form 20-F for the fiscal year ended March 31, 2004)
12.1	Rule 13a-14(a) Certification by Chief Executive Officer*
12.2	Rule 13a-14(a) Certification by Acting Chief Financial Officer*
13.1	Certification by Chief Executive Officer*
13.2	Certification by Acting Chief Financial Officer*
15.1	Consent of Independent Registered Public Accounting Firm (BDO Limited)*
15.2	Consent of Independent Registered Public Accounting Firm (Mazars CPA Limited)*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

\* Filed Herewith

\*\* In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Form 20-F shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

**Cooperation agreement on oversea agency payment business  
with China Construction Bank Co. Ltd**

Agreement Number: DGHWDF2012071

Party A (full name): Dongguan Lite Array Company Limited

Address: Galaxy Ind. Area, Qingxi, Dongguan Province, PRC

Zip code: 523660

Legal representative (Head): John C.K. Sham

Fax: 0769 - 87738870 - 863

Tel: 0769 - 87738870

Bank for basic account: Construction Bank of China, Qingxi Sub-branch

Account: 44001779508051275380

Account opened in Party B:

Party B: Construction Bank of China, Dongguan Branch

Address: No. 5 Sport Rd., Jian Sheng Building, Nancheng District, Dongguan Provision, PRC

Zip code: 523000

Head: Fan Ti

Fax: 0769-22111198

Tel: 0769-22818988

In order to define the rights and responsibilities of both Parties in the overseas agency payment agreement, Party A and Party B enter into this agreement, according to applicable laws and regulations.

### **Clause One Overseas agency payment**

I: The “overseas agency payment” in this document means a kind of financing service in which Party A entrusts Party B to apply to overseas branches of CBC or CBC recognized other banks (hereinafter referred as “Overseas branch/other bank”) that the Overseas branch/other bank pay the amount for goods importing (including payment in advance) and non-transaction amount in the means of L/C, Inward Collection and T/T payment for Party A provided that Party bears the responsibility and Party B bears the responsibility for guarantee.

II. The overseas agency payment is limited within the payment outside under the import transaction contract or non-transaction contract. The clearing types which may be used as the overseas agency payment are: sight credit, usance L/C, usance L/C payable under sight under the means of L/C; D/P, D/A under the means of Inward Collection; cash on delivery under the T/T payment.

III. According to the applying of Party A, Party B agree to provide trust receipt amount of at most one million six hundred and seventy three thousand three hundred and seven dollars and forty cents US dollars (currency, amount) to Party A for operating overseas payment business.

The validation period of this agreement is from the 3<sup>rd</sup>, Aug, 2012 to the 1<sup>st</sup>, Nov, 2012.

During the above specified validation period, Party A may continuously apply to Party B for operating overseas payment business without time limit, provided that the overseas agency payment principal remaining balance Party B has accepted the entrust of Party A to apply to its Overseas branch/other bank does not exceed the foresaid amount, but the sum of the amount Party A has applied to Party B for operating the overseas agency payment and the overseas agency payment principal remaining amount occupied or un-repaid by Party A shall not exceed the foresaid amount.

The trust receipt amount limit under this agreement belongs to trade financing amount limit, which means the import financing amount limit Party B provides to Party A given that Party A issues trust receipt. Party A may apply to Party B for expense this amount for operating overseas agency payment business.

IV. Unless provided otherwise by both Parties, the actual amount of each overseas agency payment shall be determined by Party B according to the amount payable under the importing items, and shall not exceed the draft amount, and shall not exceed the amount payable where there is no draft.

V: The payment period of each overseas agency payment begins on the date of actual payment by the paying agent, and ends on the payment due date defined by the paying agent.

**Clause Two. The procedure for operating overseas agency payment business under this agreement**

I. If Party A is intended to apply for spending the trust receipt amount under this agreement for operating overseas agency payment business, it shall submit an “application for overseas agency payment business” during the amount validation period. Party A ensures that the submitted application amount for overseas agency payment business does not exceed the amount limit agreed in this agreement.

II. If Party B accept the entrustment by Party A to apply to its oversea branch/other bank for operating overseas agency payment business after audit, it shall act as trustee and file a financing application to its oversea branch/other bank, and bear the corresponding responsibility of ensuring payment, meanwhile issue a “Disbursement notice for trade financing amount” to Party A.

III. Before the due date of one single overseas agency payment, Party B sends an “Expiration notice of overseas agency payment”. Both Parties agree that the actual oversea amount, interest, charges and period of one single overseas agency payment shall subject to the information specified in the “Expiration notice of overseas agency payment”.

**Clause Three. The interest and charges of overseas agency payment**

Party A agree to bear the relevant interest charges on the overseas agency payment items (including financing interest of oversea branch/other bank and overseas agency payment commission charge of Party B and other related charges), and all interest and charges needed to pay shall be paid through Party B.

I. Interest and charges

Party A chooses the first way below to determine the interest charge of overseas agency payment:

(i) When Party A applies to Party B for operating one single overseas agency payment, it makes an enquiry to oversea branch/other bank through Party B to determine the financing interest, meanwhile bearing the interest of oversea branch/other bank and overseas agency payment commission charge of Party B and the actual financing interest rate, charge rate shall be subject to the Disbursement notice for trade financing amount” issued by B to A.

(ii) Both Parties agree that each overseas agency payment under this agreement shall be subject to the overseas agency payment general charge which is LIBOR in the same period plus spread (including financing interest of oversea branch/other bank and overseas agency payment commission charge of Party B) and Party A agree that Party B is entitled to deduce the overseas agency payment commission charge owned to Party B from the total amount of accrued interest. The actual overseas agency payment general charge shall be subject to the “Disbursement notice for trade financing amount”.

The overseas agency payment financing interest/general charge is an annual rate calculated by the day (One year is 365 days for currency of English pound and Hong Kong dollar; 360 days for other currency).

LIBOR referred here means the interbank offered rate of the same period and same currency published by BBA (the British Bankers' Association) offered by some financial telecommunication terminals such as TELERATE, on the day of each overseas agency payment or the previous or second previous bank business day of each overseas agency payment or the day when interest is adjusted or the previous or second previous bank business day of the day when interest is adjusted. Each overseas agency payment is subject to LIBOR determined by the overseas branch/other bank.

LIBOR of the same period means the price of LIBOR on the basis of month which is consistent with the period and currency of overseas agency payment. LIBOR price of each day has various level from one month to twelve months, and less than one month of overseas agency payment period will be taken as full month. Twelve months are the upper limit.

## II. Other charges

Unless specified otherwise, Party A agrees to bear other charges arising during the process of operating overseas agency payment, including but not limited to postage, overseas bank charges etc.. Party A agrees to pay through Party B to the overseas branch/other bank before the due day of the overseas agency payment one at a time according to the other charges specified in the "Expiration notice of overseas agency payment" sent by Party B.

## III. Payment of interest charge

Party A agrees to pay through Party B to the overseas branch/other bank the interest charge before the due day of the overseas agency payment one at a time according to the principle, interest and charge specified in the "Expiration notice of overseas agency payment" sent by Party B.

IV. Where there is a extension, Party A shall pay the extension interest and all charges arising during the extension through Party B to the overseas branch/other bank.

**Clause Four.** Party B accepts the entrustment from Party A to apply to the overseas branch/other bank for overseas agency payment and provides all preconditions of the guarantee responsibility for Party A's payment liability.

Except that Party B partially or fully waive, Party B has the responsibility of receiving Party A's entrustment to apply to the overseas branch/other bank for overseas agency payment only when the following conditions are satisfied:

I. Party A has completed the permitting registration, deliverable and other legal procedures related to the overseas agency payment under this agreement according to the relevant regulations.

II. Party A has completed the overseas agency payment procedures according to requirements of the State Administration of Foreign Exchange (SAFE) and has been verified by SAFE.

III. Party A has submitted the documents required by Party B.

IV. The guarantee agreement or other guarantee means satisfying the requirement of Party B has come into effect.

V. Party A has not done nothing violating this agreement.

VI. Party A has submitted the “trust receipt” to Party B unless exempted by Party B.

VII. Party B has approved the application of Party A.

### **Clause Five. Repayment**

#### **I. Repayment way**

(i) The amount Party A obtains from dealing with the goods represented by the trust receipt shall be used for repaying the overseas agency payment amount, and the gap shall be paid off by Party A with other funds.

(ii) The principal, interest, charge and other accrued expenses specified in “Expiration notice of overseas agency payment” issued by Party B to Party A are due amount for overseas agency payment. Unless agreed otherwise, Party A shall pay the foresaid amount in full to the oversea branch/other bank-through Party-B before the due date.

(iii) Party A shall prepare the due amount for overseas agency payment on the account opened by Party B before the due date specified in the “Expiration notice of overseas agency payment” and transfer the money by himself to pay off the debt, or transfer from other account to the account specified by Party B on the due date to pay off the debt; if Party A fails to repay the money on the due date, Party B is entitled to allocate money from the account opened by Party A in CBC system.

II. Repayment in advance: Unless approved by the oversea branch/other bank and Party B, Party A shall not repay the principal, interest and charges of the overseas agency payment in advance. However, if Party B and/or the oversea branch/other bank thinks that Party has suffered or may suffer a operation crisis or any other things which may influence or has influenced the ability of Party A to repay the overseas agency payment after the due date, or due to the alteration of state policy or due to the internal causes of Party B and/or the oversea branch/other bank need Party A repay the full due amount of overseas agency payment, Party A shall repay the due amount of overseas agency payment in advance according to the requirement of Party B.

If Party A needs to partially or fully repay the amount of overseas agency payment in advance, it shall make an application to the oversea branch/other bank through Party B in the means of tested message at least 15 days before. If the oversea branch/other bank agree, Party A shall pay liquidated damage to the oversea branch/other bank through Party B, and the liquidated damage shall be subject to the amount specified in the tested message which is answered by the oversea branch/other bank agreeing the repayment in advance. Meanwhile, Party B is entitled to charge Party A of the expense loss due to repayment in advance in accordance with the actual situations.

III. If Party A requires an overseas agency payment extension, it shall make an application to the overseas branch/other bank through Party B in the means of tested message at least 15 days before.

#### **Clause Six Mutual rights and responsibilities**

I. Party A is entitled to require Party B to apply to its overseas branch/other bank for overseas agency payment for Party A according to this agreement and bear the corresponding responsibility of ensuring Party A's repayment liability where the agreed requirements met.

II. Party B shall keep the commercial secrets of Party A according to the law.

III. The clearing of both RMB and foreign currency by Party A under this agreement shall be made through the account in Party B.

IV. Once the overseas branch/other bank pays it out and occupy the ownership license and other relevant documents representing the ownership of the goods, Party B acquires the document and the goods ownership represented by that.

V. After Party A issues trust receipt, Party B shall send the document to Party A.

VI. As the truster of trust receipt, Party B enjoys the earnings right of Party A dealing with trust property.

VII. As the trustee of trust receipt, Party A holds the overseas agency payment related documents under the payment means of import L/C, Inward Collection and T/T payment along with the goods represented by the documents, which it may offload, store, manufacture, process and sell by itself.

The amount from selling the foresaid goods by Party A shall be used for repaying the overseas agency payment applied by Party B to the overseas branch/other bank, and the gap shall be repaid by Party A with other funds.

VIII. Any expenses arising from processing goods or due to the goods shall be undertaken by Party A.

IX. After the goods represented by the documents under the payment means of import L/C, Inward Collection and T/T payment related with each overseas agency payment under this agreement are sold, Party B is entitle to charge the payment for goods and issue valid receipt without noticing Party A in advance.

X. Where there is a special requirement by Party B, Party A shall treat the goods as the requirement by Party B.

XI. The documents related with each overseas agency payment under this agreement along with the goods represented by the documents are the trust property of Party B and independent of Party A. When Party A suffers dismissal, revocation, bankruptcy and so on, the trust property does not belong to the liquidation property; the creditor's rights Party A acquires when managing or dealing with documents and the goods represented by the documents shall not counterbalance the debt arising from its own property.

XII. Before the paying off the principal, interest and charges of the overseas agency payment, Party A shall not mortgage (pledge) the documents and the goods represented by the documents to others.

XIII. Where there is a special requirement by Party B, before the goods related with the single overseas agency payment under this agreement are sold, Party A ensures submitting the relevant documents to Party B or storing into warehouse as indicated by Party B and making warehouse receipt with Party B as a title.

XIV. Where there is a special requirement by Party B, Party A shall buy fire insurance and other normal insurances from a reputable insurance company according to the full value of goods related with each overseas agency payment under this agreement, and act as a trust receipt trustee to hold for Party B and when required provided to Party B instantly the insurance policy or insurance agreement with Party B as a payee of priority for compensation or transferring the right under the insurance policy to Party B. The premium shall be paid by Party A. Where there is a claim arising from the goods under the insurance policy, Party A shall inform Party B and deliver the insurance compensation immediately after receiving it to Party B.

XV. Party B is entitled to determine and review the means of transport, storage location, means of storage and the insurance coverage types for the goods related with the single overseas agency payment under this agreement. Party A ensures providing convenience for Party B, including allowing members of Party B to enter the warehouses and ground owned, occupied or Managed by Party A. When required by Party B, Party A shall sign any documents necessary for facilitating taking the goods or claiming a compensation by Party B.

XVI. Party B is entitled to supervise the operation condition of Party A and Party A shall provide assistance. Party B is entitled to the sales and money receiving conditions of the goods related with the single overseas agency payment under this agreement, and upon the requirement of Party B Party A shall provide relevant conditions to Party B in written means at all times.

XVII. Where there is an alteration of legal representative (head), residence or operation location or registered capital reduction in Party A, it shall give written notice to Party B in advance.

XVIII. If Party A alter its operation mode or equity organization form due to undertaking, renting, joint operation, shareholding reform, division, merging or any other reasons, it shall give written notice to Party B in advance and arrange debt service measures.

XIX. Where Party A suffers circumstances which will be dangerous for its normal operation or impose great negative influence on implementing the repayment obligation under this agreement, including but not limited to shutdown, closing, cancelling the registration, revoking license, conducting crimes by legal representative or main leaders, important lawsuits, great difficulties in operation, deterioration of finance situation, drawing out capital illegally, property transferring, arbitrarily shares transferring, Party B is entitled to required Party A to deposit the principal and related interest charges into an account allocated by Party B as a bail pledge, or take any other measures recognized by Party B.

XX. Party A guarantees not to enter into any agreements with any other party which will do harm to the right of Party B under this agreement.

XXI. Party B may remove trust at all times. Once required by Party B, Party A shall return all set of documents of title, bills and other documents or goods under the bills to Party B.

XXII. If Party A fails to treat trust property as required by Party B, Party B is entitled to dismiss the trust relation and take back the trust property to handle by itself.

XXIII. Where there is a guarantee and the guarantor violates the guarantee agreement or lose guarantee capability, Party A shall immediately provide a new guarantee recognized by Party B, otherwise Party B is entitled to take back the principal and interest and related charges of the overseas agency payment in behalf of the oversea branch/other bank in advance, and Party B is entitled to allocate in the account opened by Party A in the system of CBC and perform guarantee right.

XXIV. Party A agrees that all rights the oversea branch/other bank enjoys on Party A are also enjoyed by Party B.

XXV. Both parties agree that anything not specified or unclearly specified is subject to international custom such as UCP600.

#### **Clause Seven Guarantee**

The guarantee means under this agreement is as the third following below:

- (1) assurance
- (2) mortgage
- (3) pledge
- (4) guarantee money
- (5) SLC
- (6) credit insurance
- (7) other means (blank)

#### **Clause Eight Responsibility for violating**

I When the overseas agency payment is due and Party fails to pay the full amount through Party B on time or the remaining sum in the account opened by Party A in Party B, Party B is entitled to issue a press for payment to Party A who shall arrange the money in time according to the requirement of Party B and pay the full amount outside through Party B. Anyway, if Party B fulfills its responsibility of ensuring payment, Party A shall pay the following amounts to Party B within 3 workdays since Party B makes the external payment:

- (1) All amount paid by Party B to the oversea branch/other bank or appointed the third party;
- (2) For the period from the day Party B makes the external payment to the day Party B receives the full amount payable from Party A, an advance interest for overdue amount of Party A (including, commission charge, postage) according to a daily interest rate of five per ten thousand.

(3) Cost for Party B sending notice and other related fees.

II. If Party A fails to return the principal and interest of the overseas agency payment with full amount in time, Party B is entitled to take one of the following approaches to handle it:

(1) allocating from the account opened by Party A in CBC system or from other account receivable of Party A;

(2) dealing with the bills and goods represented by the bills under the import L/C, Inward Collection and T/T payment related with the single overseas agency payment under the agreement;

(3) dealing with the mortgage, pledge or pressing the guarantor for payment.

III. If Party A conducts anything violating this agreement, Party B is entitled to require Party A to correct its violating in a defined period, and require Party A to provide guarantee met the requirement of Party B, and allocate any amount payable by Party A from the account opened by Party A in the CBC and conduct any other relieving measures permitted by the law.

#### **Clause Nine Amendments, supplements and explanations of the agreement**

I. Any amendments or supplements shall be made after agreed by both Parties, and constitute effect part of this agreement.

II. As for any disputed understanding of any terms of this agreement, the real meaning shall be determined according to the intention of agreement, its expressions, relevant clauses, transaction custom and honest and credit principle.

#### **Clause Ten Attachments of the agreement**

The “application for overseas agency payment business” submitted by Party A, the “Disbursement notice for trade financing amount” and “Expiration notice of overseas agency payment” sent by Party B to Party A, and the imported goods list under the import L/C, Inward Collection and T/T payment related with the single overseas agency payment under this agreement, along with its certificates and documents, are all attachments to this agreement, and also effective part of this agreement.

#### **Clause Eleven resolving of the disputes**

The disputes arising during the implementation of the agreement may be resolved through negotiation, and where the negotiation fails, it shall be resolved as the first means following:

(1) filing a suit with the People’s Court at the location of Party B

(2) submitting to [blank] arbitration commission (this is blank), and be arbitrated according to the current arbitration rules. The arbitral decision is final, bound to both Parties.

During the suit or arbitration, terms in this agreement not involving in the disputes shall still be implemented.

**Clause Twelve Validation of the agreement**

After signed by legal representative (leader) of Party A or authorized agent and sealed and signed by leader of Party B or authorized agent and sealed, this agreement comes into effective.

**Clause Thirteen Other agreed items**

I. If Party A pay full guarantee money or relevant full value financial pledge and approved by Party B, Party B may deal with the overseas agency payment business for Party A, and the related rights and obligations are subject to this agreement;

II. Blank below

III.

**Clause Fourteen This agreement is made in three copies.**

**Clause Fifteen Declarations**

I. Party A is clearly aware of the business coverage and authorization limit of Party B.

II. Party A has read all terms of this agreement. Responding to the requirement of Party A, Party B has made term explanations for this agreement. Party A has fully known and understood the meaning of terms in this agreement and its responsible legal consequence.

III. Party is entitled to sign this agreement.

Party A (seal)

Legal representative (leader) or authorized agent (sign)/s/      Shen Shu Ain

2012-08-02

Party B (seal)

Leader or authorized agent (sign) /s/

2012-08-02

Maximum Amount 005

**Maximum Amount Rights Pledge Contract**

Contract No.: [2012] 8800-8400-008

Pledgor (Party A): Dongguan Lite Array Co., Ltd.  
Domicile: Galaxy Ind. Area, Qingxi, Dongguan Province, PRC  
Postal Code: 523660  
Legal Representative (Person-in-charge): John. C. K. Sham  
Fax: 0769-8773 8870-863 Tel: 0769-8773 8870

Pledgee (Party B): China Construction Bank Corporation, Dongguan Municipal Branch  
Domicile: No. 5 Sport Rd., Jian Sheng Building, Nancheng District, Dongguan Provision, PRC  
Postal Code: 523071  
Person-in-charge: Fan Ti  
Fax: 0769-2281 8518 Tel: 0769-2281 8998

Whereas Party B has to successively conduct the first credit business as set forth below for Dongguan Lite Array Co., Ltd (hereinafter referred to as the “Debtor”), from August 2 2012 to April 13 2013 (hereinafter referred to as the “Creditor’s Rights Determination Period), Party B will have to (and/or have already), sign(ed) Renminbi fund loan contracts, foreign fund loan contracts, bank acceptance agreements, letter of credit issuing contracts, guarantee issuing agreements and/or other legal documents (the above-mentioned contracts, agreements and/or other legal documents signed during the Creditor’s Rights Determination Period shall hereinafter be referred to as the “Principal Contract”) with the Debtor.

- (1) Issuing of loans in Renminbi/foreign currency;
- (2) Acceptance of commercial bills of exchange;
- (3) Opening of letters of credit;
- (4) Issuing of bank guarantees;
- (5) Other credit businesses;

Party A is willing to provide maximum amount rights pledge guarantee for the series of debts of the Debtor under the Principal Contract. In accordance with relevant laws, regulations and rules, Party A and Party B have reached consensus by consultation and have entered into this Contract for abiding and execution by both parties.

## 1 Pledged Rights

- 1.1 Party A shall set pledges according to the rights listed in the “List of Pledged Rights” of this Contract.
- 1.2 If the rights recorded in the List of Pledged Rights are not the same as the rights stated in the documents of title, pledge certificates, pledge certifying documents or the pledge registers of registration authorities as actually accepted by Party B, the pledged rights actually accepted by Party B shall be those as stated in the documents of title, pledge certificates, pledge certifying documents or pledge registers of registration authorities.
- 1.3 If the renewal of ownership rights or other entitlement certificates (proofs) of the pledged rights leads to discrepancies between the List of Pledged Rights of this Contract or the pledge certificates, pledge certifying documents as received by Party B and the above-mentioned new entitlement certificates (proofs) or the records of registers of registration authorities, Party A shall not use the discrepancies as reasons for not undertaking guarantee obligations.

- 1.4 Party A shall exercise the greatest care in maintaining the validity and value of pledged rights and shall prevent the invalidity or depreciation of pledged rights as a result of expiry of prescribed periods or the occurrence of any other reasons. In the event of increase in value of the pledged rights, the increased value shall remain the rights pledge guarantee of Party B's creditor's rights.
  - 1.5 Derivatives from the pledged rights shall be collected by Party B. As part of the pledged rights, the derivatives are used as pledge guarantee for Party B's creditor's rights, but should first be used in settling the expenses for collecting the derivatives.
  - 1.6 If the value of the pledged rights has already or may be diminished, affecting the realization of Party B's creditor's rights, Party A should provide new guarantee according to Party B's request.
- 2 Scope of Guarantee and Maximum Creditor's Rights Limit
- 2.1 The scope of guarantee of this maximum amount rights pledge is all the debts under the Principal Contract, including but not limited to all the principal amount, interest (including compound interest and penalty interest), damages for breach of contract, indemnifications and other payments the Debtor has to make to Party B (including but not limited to payments advanced by Party B such as related handling fees, telecom charges, incidental expenses and related bank charges of letters of credit which beneficiaries refuse to assume, etc.), expenses incurred in the realization of creditor's rights and guarantee rights by Party B (including but not limited to litigation costs, arbitration costs, property preservation fees, traveling expenses, execution fees, assessment fees, auction fees, notary fees, delivery charges, notice fees, and counsel fees, etc).
  - 2.3 The maximum limit of the guarantee liability of this maximum amount right pledge is (currency) Renminbi (amount in words) Twenty Million. If Party A performs its guarantee obligations pursuant to this Contract, this maximum limit will be correspondingly reduced according to the amount performed.
  - 2.3 The loans, advances, interests, expenses under the Principal Contract or any other creditor's right of Party B shall still be within the scope of guarantee of this maximum amount rights pledge even if the actual time of formation of the creditor's rights has exceeded the Creditor's Rights Determination Period. The expiry date for debt performance is not restricted by the expiry date of the Creditor's Rights Determination Period.

### 3 The Registration or Handing over of Pledged Rights

- 3.1 If it is necessary to conduct pledge registration (inclusive of recording and filing) pursuant to laws, both parties should complete pledge registration formalities at the appropriate registration authority within five business days after the signing of this Contract. Party A should hand over the originals of pledge certificates and pledge registration documents and other entitlement certificates to Party B for retention.
- 3.2 If it is not necessary to conduct pledge registration pursuant to laws, Party A should hand over certificates of pledged rights to Party B within                 business days after the signing of this Contract. If endorsement is required pursuant to laws, Party A should hand over documents of titles to Party B upon endorsement.
- 3.3 If the realization of pledged rights requires the performance of obligations by a third party, Party A should notify the third party in writing about the fact of the pledge.

### 4 Changes in the Principal Contract

- 4.1 Party A agrees, if Party B signs the Principal Contract with the Debtor or makes any change in the Principal Contract (including but not limited to the extension of the debt performance period or the increase of the amount of the creditor's rights principal), it is not necessary to notify Party A and Party A should still assume guarantee obligations under the maximum amount and within the scope of guarantee stipulated in this Contract.
- 4.2 Changes in the parties  
Party A's guarantee obligations will not be reduced as a result of the occurrence of any of the following situations:
  - (1) The reform, consolidation, acquisition, division, increase or decrease of capital, joint venture, joint operation, change of name of Party B or the Debtor;
  - (2) The commissioning of a third party by Party B in performing its obligations under the Principal Contract.
- 4.3 In the event of an assignment of creditor's rights under the Principal Contract to a third person, the guarantee under this Contract will be assigned accordingly and Party A should assist Party B and that third person in carrying out registration of pledge changes as required by law.

4.4 In the event that the assignment of creditor's rights or debt under the Principal Contract is not yet effective, invalid, revoked, or dissolved, Party A shall assume its guarantee obligations to Party B in accordance with this Contract.

#### 5 Third Party Interference

5.1 In the event that the State or another third party carries out cancellation, forfeiture, mandatory recall, sealing-up, freezing, impounding, supervision, deduction, encumbrance, auctioning, forced occupation, or damaging against the pledged rights (or assets under them), and if Party B makes the request, Party A should provide new guarantees that meet Party B's requirements.

5.2 Upon the occurrence of the above-mentioned situations, the residual portion of pledged rights shall remain the pledge guarantee of Party B's creditor's rights. The indemnification or compensation Party A receives for the above-mentioned reasons should be deposited with Party B's designated account(s). Party B has the right to choose any one of the following methods in handling the above-mentioned funds and Party A should assist in carrying out the relevant formalities.

- (1) With Party B's consent, for use in repairing the property under the pledged rights to revive its value;
- (2) Pay off or pay off in advance the principal, interest, and related expenses of the debts under the Principal Contract;
- (3) Provide pledge guarantee for the debts under the Principal Contract;
- (4) For Party A's free disposal after Party A has provided new guarantees that meet Party B's requirements.

#### 6 Pledged Rights Expiring Before Principal Contract

If a redemption or delivery date exists for the pledged rights and if that date comes before the expiration of the debts under the Principal Contract, Party B has the right to request redemption or delivery before the expiration of the debts under the Principal Contract. The funds redeemed or the goods delivered should be kept in the account(s) or premise(s) designated by Party B. Party B has the right to choose any one of the following methods for handling and Party A should assist in carrying out the relevant formalities.

- (1) Use the delivered goods to replace the pledged rights as pledge or collateral;

- (2) Use the funds redeemed or the proceeds from the selling off or auctioning of the delivered goods in paying off or paying off in advance the debts under the Principal Contract, or provide pledge guarantee for the debts under the Principal Contract;
- (3) The funds redeemed or the goods delivered are for Party A's free disposal after Party A has provided new guarantees that meet Party B's requirements.

## 7 The Realization of Pledged Rights

- 7.1 If the Debtor does not perform maturing debts under the Principal Contract or does not perform the debts that have been announced to be maturing in advance, or if the Debtor is in breach of other stipulations of the Principal Contract, Party B has the right of disposition of the pledged rights.
- 7.2 The value of the pledged rights recorded in the List of Pledged Rights of this Contract or agreed separately by both parties (hereinafter referred to as "provisional value") does not indicate the final value of the pledged rights. The final value should be the net value after various taxes or expenses have been deducted from the proceeds of disposing the pledged rights by Party B.  
If the pledged rights are used in settling the creditor's rights of Party B, the above-mentioned provisional value does not form the basis for using the pledged rights in settling the creditor's rights of Party B. The value of the pledged rights at the time of settlement should be reached by consensus through consultation between Party A and Party B or determined through fair assessment in accordance with the laws.
- 7.3 For the use of the proceeds Party B obtains from realizing the pledged rights, priority should be given to paying off the debts under the Principal Contract after payments of expenses incurred in the process of selling off or auctioning (including but not limited to custody fees, appraisal fees, auction fees, transfer fees, taxes, etc). Any remaining proceeds should be returned to Party A.
- 7.4 If Party A and the Debtor are the same person, Party B can apply for the mandatory execution of Party A's property outside the pledged rights, while not having to consider the giving up of pledged rights or the priority disposal of pledged rights as a pre-condition.
- 7.5 Party A must not interfere with the realization of pledged rights by Party B through any means (including actions or inactions).

- 7.6 Irrespective of whether or not Party B possesses other guarantees against the creditor's rights under the Principal Contract (including but not limited to means of guarantee such as guarantees, collaterals, pledges, guarantee letter, standby letters of credit), irrespective of the time of establishment and validity of the above-mentioned guarantees or whether Party B has asserted its right with other guarantors, or irrespective of whether or not other guarantees are self-provided by the Debtor, Party A's guarantee obligations under this Contract will not be diminished and Party B can directly request Party A to assume its guarantee obligations within the scope of guarantee pursuant to the stipulation reached in this Contract and Party A will not raise any objections.
- 7.7 If the maximum limit of the guarantee obligations agreed in this Contract is lower than the balance of creditor's rights actually occurring under the Principal Contract and, after Party A has assumed its guarantee obligations, the creditor's rights under the Principal Contract has not been completely paid off, then Party A promises that its assertion of rights of subrogation or recourse (including the advance exercising of such rights) should not lead to a damage of Party B's interests and agrees that the paying off of debts under the Principal Contract shall have priority over the realization of Party A's subrogation right or recourse right.
- Specifically, before Party's B's creditor's rights are completely paid off,
- (1) Party A agrees not to assert its subrogation right or recourse right against the Debtor or other guarantors and, if for any reasons, Party A has realized such rights, the funds it has so obtained should first be used in paying off Party B's creditor's rights which have not been paid off yet.
  - (2) If there is any material object guarantee for the debts under the Principal Contract, Party A agrees not to assert any right against the material objects or against the proceeds obtained from the disposal of these material objects on the grounds of exercising subrogation right or any other reason.
  - (3) If the Debtor or other guarantors have provided Party A with counter-guarantee, then the funds Party A obtains due to such counter-guarantee should first be used in paying off Party B's creditor's rights which have not been paid off.
- 7.8 If the Principal Contract does not come into existence or is not effective, invalid, partly invalid or has been revoked or dissolved, and also that Party A and the Debtor are not the same person, then Party A shall, within the scope of guarantee agreed in this Contract, assume joint responsibility with the Debtor for the debts arising from the return of property or the compensation of losses by the Debtor.

7.9 If Party B adjusts interest rate levels or the methods of accruing or settling interest according to the stipulations of the Principal Contract or to changes in national interest rate policies and there are increases in the interest, penalty interest or compound interest the Debtor should repay, Party A also assume guarantee obligations for the increased part.

7.10 If, besides the debts under the Principal Contract, the Debtor also assumes other matured debts against Party B, Party B has the right to credit the funds in Renminbi or other currencies in the accounts the Debtor has opened in the China Construction Bank system for use firstly in paying off any of the matured debts, while Party A's guarantee obligations will not be diminished for this reason.

## 8 Return of Certificates of Pledged Rights

Upon the paying of debts guaranteed by the pledged rights, and after the payment of all expenses to be assumed by Party A under this Contract, Party A has the right to request Party B for the return the certificates of pledged rights. When Party B returns the certificates of pledged rights, Party A should carry out on-the-spot acceptance inspection and any objection should be raised on the spot, otherwise it is taken that Party A has no objection.

Upon the paying off of all debts guaranteed by the pledged rights, Party B should jointly conduct in time the cancellation of pledge registration with Party A.

## 9 Liabilities for Breach of Contract

### 9.1 Party A's liabilities for breach of contract

- (1) In the event that Party A is in breach of any one stipulation of this Contract or there is any falsehood, error or omission in its declarations or in the guaranteed items, Party B has the right to adopt one or more of the following measures:
  - a. Request Party A to rectify the breach within a definite time;
  - b. Request Party A to furnish new guarantee;
  - c. Request Party A to compensate for losses;

- d. Dispose the pledged rights;
- e. Other remedy measures as allowed by law.

- (2) Party B has the right to choose from any one of the methods stipulated from (2) to (4) of Article 2 in the handling of proceeds obtained from the disposal of pledged rights and Party A should assist in carrying out the relevant formalities.
- (3) If for Party A reasons the pledged rights cannot be set up effectively, or the value of pledged rights is reduced, or Party B cannot fully realize the pledged rights in time, and also that Party A and the Debtor are not the same person, Party B has the right to request Party A to assume joint responsibility with the Debtor for the debts guaranteed under the scope of guarantee stipulated in this Contract.

#### 9.2 Party B's liabilities for breach of contract

If due to the intention or major negligence of Party B there is any damage or loss of pledged right certificates, Party A has the right to request Party B to assume the expenses of re-applying for the certificates.

### 10 Other Provisions

#### 10.1 Assumption of expenses

All expenses (including but not limited to expenses for ownership, management, disposal, registration, notarization, insurance, transportation, warehousing, custody, valuation, repairing, maintenance, auctioning, and transfer of ownership, etc.) related to this Contract and the pledged rights (and the property under it) shall be assumed by Party A unless otherwise agreed by both parties.

#### 10.2 Crediting of payables

For all the payables of Party A under this Contract, Party B has the right to credit corresponding sums in Renminbi or other currencies from the account(s) Party A has opened in the China Construction Bank system without having to notify Party A in advance. If it is necessary to conduct settlement and sales of exchange or trading of foreign exchange, Party A has the obligation to assist Party B in handling the business while interest rate risks will be assumed by Party A.

### 10.3 The use of Party A information

Party A agrees that Party B make enquiries about Party A's credit status with the People's Bank of China and with credit databases set up with the approval of the administrative department for credit investigation or relevant units and departments. Party A also agrees that Party A furnishes Party A's information to the People's Bank of China and to credit databases set up with the approval of the administrative department for credit investigation. Party A further agrees that Party B can also reasonably use and disclose information on Party A for business purposes.

### 10.4 Public notice of collection

If there is a breach of contract on Party A's part, Party B has the right to report to relevant departments or units and has the right to issue public notice of collection through the media.

### 10.5 The evidential effects of Party B's records

Unless there is reliable and ascertained evidence to the contrary, Party B's internal account entries related to principal, interest, expenses and repayment records; the documents and vouchers that are prepared or retained by Party B and are generated in the course of such business processes in which the Debtor makes withdrawals, repayments or interest payments; and the records and evidences of Party B's collection of loan repayments all constitute ascertained evidences in effectively proving the creditor's right relationship under the Principal Contract. Party A cannot raise objection solely on the fact that the above-mentioned records, entries, documents and vouchers are prepared and retained one-sidedly by Party B.

### 10.6 Reservation of rights

The rights of Party B under this Contract do not affect and rule out any right it is entitled to pursuant to laws, regulations or other contracts. Any tolerance, allowance or preference given in regards to breach of contract or delays and any postponement in exercising any right under this Contract must not be taken as a giving up of the right and interest under this Contract or the permission or approval of any breach of this Contract; neither will it affect, prevent or interfere with the continued exercising of the rights or with the exercising of any other right; nor lead to Party B's assumption of obligations and responsibilities towards Party A.

Even if Party B does not exercise or postpone exercising any right under the Principal Contract or has not fully utilize any remedy under the Principal Contract, Party A's guarantee obligations under this Contract will not be thus reduced; but if Party B reduces the debts under the Principal Contract, Party A's guarantee obligations under this Contract will be correspondingly reduced.

10.7 If Party A sustains any division, dissolution, or is entering into bankruptcy proceedings; or its industrial and commercial registration is revoked or cancelled; or its business registration is withdrawn; or there is any damage, loss, infringement, sealing up or freezing of its pledged rights (or the property under them) due to natural causes or the action of a third party; or there is dispute over the ownership of its pledged rights or its entitlement certificates (proofs) have been cancelled, Party A should promptly notify Party B (unless Party B already knows).

10.8 Dissolution or bankruptcy of the Debtor

Upon knowing that the Debtor has entered dissolution or bankruptcy proceedings, Party A should promptly notify Party B to declare its creditor's rights, at the same time it should itself participate in the dissolution or bankruptcy proceedings and exercise its right of recourse in advance. If Party A knows or should know about the Debtor's entering dissolution or bankruptcy proceedings but fails to exercise its right of recourse in advance in time, Party A will have to assume the losses by itself.

Even with the stipulation in paragraph two of Article 10.6 above, during the bankruptcy proceedings of the Debtor, if Party B and the Debtor have reached a settlement agreement or have agreed to a restructuring plan, Party B's rights under this Contract will not be damaged because of the settlement agreement or restructuring plan and Party A's guarantee obligations will not be reduced. Party A should not oppose Party B's assertion of rights by using the conditions stipulated in the settlement agreement or the restructuring plan. Party B still has the right to request Party A to assume guarantee obligations for the portion of creditor's rights which is not paid off because of the concessions made by Party B to the Debtor in the settlement agreement or restructuring plan.

10.9 Dissolution or bankruptcy of Party A

In the event that Party A is being dissolved or is bankrupted, even though Party B's creditor's rights under the Principal Contract are not yet due, Party B still has the right to join the liquidation or bankruptcy proceedings of Party A and declare its rights.

10.10 If there is any change in its correspondence address or contact information, Party A should promptly notify Party B in writing and any loss caused by not notifying in time shall be assumed by Party A itself.

10.11 Other stipulations

(Blank)

10.12 Methods of settling contract disputes

Any dispute arising out of the performance of this Contract may be settled through consultation. If consultation fails, the dispute can be settled through method number one below. During litigation or arbitration, performance of provisions of this Contract not involved in the dispute shall continue.

- (1) Bring the case to the People's Court at Party B's domicile.
- (2) Submit to the (left blank) Arbitration Committee (the location of arbitration is (left blank) and arbitrate according to existing arbitration rules of the committee effective at the time of application of arbitration. The arbitration award shall be final and binding to both parties.

10.13 Effectiveness of the Contract

This Contract shall come into effect when duly signed by the legal representative (person-in-charge) of Party A or its authorized agent or when affixed with its official seal and duly signed by the person-in-charge of Party B or its authorized agent or when affixed with its official seal.

10.14 This Contract is made in quadruplicate.

11 List of Pledged Rights

The List of Pledged Rights under this Contract is set forth as follows:

Name of Rights Pledged	Serial No. of Document of Title or Other Relevant Certificates	Face Value (Value)	Qty.	Expiration Date of Rights	Amount (RMB10,000) Already Set as Pledge by Other Creditor's Rights	Payer or Delivery Person	Remarks
Time Certificate of Deposit	440000005529	Renminbi Twenty Million Only	One	2013.04.13	Renminbi Twenty Million Only	None	None

12 Party A's Declaration and Covenants

12.1 Party A clearly knows about Party B's business scope and authorization limit.

- 12.2 Party A has read all the provisions of this Contract and those of the Principal Contract. In response to Party A's request, Party B has already made corresponding explanation on the provisions of this Contract and those of the Principal Contract. Party A is completely acquainted with and fully understands the meaning and corresponding legal consequences of the provisions of this Contract and those of the Principal Contract.
- 12.3 Party A has the legal qualification of a guarantor and the guaranteeing of Party A under this Contract meets the provisions/stipulations of the laws, administrative regulations, rules, and the articles of association or internal organization documents of Party A. Moreover, Party A has already obtained the approval of the company's internal authorizing authority and/or the State authorizing authority. If Party A is not authorized to sign this Contract, all responsibilities arising thereof shall be assumed by Party A, including but limited to compensating fully the loss sustained by Party B for this reason.
- 12.4 Party A confirms that it has full understanding of the assets, debts, operations, credit and reputation of the Debtor; whether or not the Debtor has the subject qualification and authorization to sign the Principal Contract; and whether or not the Debtor understands all the contents of the Principal Contract.
- 12.5 The provision of this pledge guarantee by Party A will not damage the lawful interests of any third party and will not violate Party A's statutory and contractual obligations.
- 12.6 Party A lawfully owns the pledged rights and is entitled to the disposition right. The pledged rights are not property prohibited from circulating and have not been sealed up or impounded and there is no ownership dispute.
- 12.7 The pledged rights and document of title are authentic, intact, legitimate, and valid.
- 12.8 The pledged right does not have a co-owner, or although co-owners exist, written consent to the pledge guaranteeing from other co-owners has already been obtained.
- 12.9 There is no defect or encumbrance in the pledged rights (and the property under them) that has not been informed in writing to Party B. Defects or encumbrances include but are not limited to the pledged rights (and the property under them) being prohibited from assignment; being supervised; leased; put under lien; or purchase payments, maintenance expenses, state taxes, compensation for damages are in arrears; or guarantee for the pledged right has been set by a third party.

- 12.10 Without the written consent of Party B, Party A should not dispose the pledged rights by any means, including but not limited to repeat guarantees and assignments.
- 12.11 If the realization of creditor's rights by Party B requires the performance of obligations by a third party (including but not limited to deposit certificates, warehouse receipts, bill of lading, bills, and pledges on receivables), then Party A promises that the third party will not assert nullification, lien or any other contest, and that any agreement between that third party and Party A will not restrict the realization of creditor's rights by Party B.
- 12.12 All data and information provided by Party A to Party B are accurate, authentic, intact, and valid.

Party A (Official seal)

Legal representative (Person-in-charge) or authorized agent (Signature):

/s/ Shen Shu Ain

August 02 2012

Party B (Official seal):

Person-in-charge or authorized agent (Signature):

/s/ Fan Ti

August 02 2012

**General Agreement on Import Paying Service**

**Special notes: This Agreement is signed by Party A and Party B on the basis of their own free will and equality with consensus through consultation, all terms are real expressions of the Both Parties. To safeguard legal rights and interests of Party B, Party A has asked Party B to pay special attention to all terms about the rights and interests of the Both Parties, especially for the boldface letters.**

Party A: Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch  
Dwelling place (address): Qingxi Town, Dongguan City  
Responsible person: Xiaofeng Yao

Party B: Dongguan Lite Array Co., Ltd.  
Dwelling place (address): Galaxy Ind. Area, Qingxi, Dongguan Province, PRC  
Legal representative: John C.K. Sham

Whereas: Party B applies for import paying service to Party A, to determine responsibility, keep their word, the Both Parties shall conclude this Agreement through equal consultation.

**Article I.** Definition: "Import paying service": under the import letter of credit, import collecting service, T/T item of Party B (as an importer), due to funding demand of Party B, Party B applies for the service that Party A pays the foreign goods payment through its agencies at home and abroad, Party B promises to repay the mentioned funds and the resulting interest, overdue fines, etc. within the prescribed period. Paid Party A chooses the payment notification as creditor's rights of Party A to Party B. The payment notice of the paying agent selected by Party A shall be regarded as the basis of creditor's rights of Party A to Party B.

**Article II.** This Agreement shall apply to all import paying services and rollover services handled by Party A for Party B. Party B shall submit the *Import Paying Service Application* for every import paying service to apply for it one by one. Party B shall submit the *Import Paying Service Rollover Business Application* for every import paying service rollover business to apply for it one by one. Party A shall decide whether to handle the business in accordance with the specific situation, and determine the financing amount, time limit, interest rate, etc. in accordance with the provisions of Party A.

**Article III.** For the paying agent authorized by Party A handles the payment under the import letter of credit, import collecting service, cash on delivery (COD), Party B shall pay actual financing funds and interests on the due date in accordance with the *Import Paying Service Repayment Confirmation* provided by Party A without preconditions.

**Article IV. Financing management: Party A shall have the rights to check, supervise the operating management, financial activities, material inventory and sales conditions. Party B shall submit the financial statements as well as related planning and statistics every month, and provide assistance for the financing management work to Party A.**

**Article V.** In order to ensure Party A collects the payment on behalf of and interests from Party B in advance, Party B shall agree that import the goods ownership belongs to Party A and provides the corresponding guarantee at the request of Party A. For import paying service under import letter of credit and import collecting service, Party B shall provide trust receipt one by one to Party

A, in accordance with the above-mentioned documents, as the trustee of Party A, Party B shall hold and handle import, import letter of credit, the import collecting documents as well as the corresponding goods on behalf of the interests of Party A. After the goods is sold, sales of goods shall be held by Party B on behalf of Party A, Party A shall have the rights to retrieve it at any time. Party B shall guarantees to transfer the sales payment to the account designated by Party A: 2010028919200084939. If Party B cannot repay the debt of Party A, Party A shall have the rights to dispose of the goods directly.

At the request of Party A, Party B shall provide the maximum amount guarantee recognized by Party A to Party A (guarantee contract name: The Maximum Amount Pledge Contract; Contract No.: 2012 (QING) ZZ No. 1001, 1002), the guarantor responsibility shall cover all services handled by Party B under this General Agreement. In case Party B provides pledge / mortgage, pledge / mortgage object shall be the item other than the imported goods.

Above trust receipt and guarantee contract shall be an integral part of this Agreement with the same legal effectiveness with this Agreement.

**Article VI. Repayment:** Party B shall ensure to repay the principal and interest in accordance with *Import Paying Service Repayment Confirmation* on schedule. Party B shall not repay in advance or extend period without the approval from Party B.

**In case Party B can't repay on schedule for whatever reason, Party A shall have the following rights:**

- 1. Collect the overdue fines for overdue repayment, fine interest rate shall be the original financing rate plus 40%, for the interests which not paid by Party B on schedule, the compound interest shall be collected in accordance with the fine interest rate;**
- 2. Deduct the debt from the account of Party B in accordance with the regulation in this Agreement;**
- 3. Deduct the debt from the account receivable of Party B;**
- 4. Dispose mortgage / pledge object or ask the guarantor to perform the repayment obligations;**
- 5. In case Party B repays in advance or extending period with the approval of Party A, Party A shall have the rights to collect the compensatory payment. The specific amount shall be determined in the business application or other documents one by one. The interest rate for payment in advance or extending period shall be subject to the payment interest rate regulated by Party A.**
- 6. Adopt other measures which are enough to safeguard rights and interests of Party A under this Agreement.**

**Article VII. Insurance:** Party A may ask Party B to make insurance for imported goods by regarding Party A as the first beneficiary. Party A shall be entitled to directly deduct the principal and interest for this financing from the compensation payment made by the insurance company.

**Article VIII.** Statement, guarantee and promise of Party B:

1. Party B is an economic entity with independent legal person qualification established in accordance with the laws of the People's Republic of China;

2. Party B has the legal person rights and the qualification and license to fulfill their responsibility;

3. All financing materials provided by Party B to Party A are real.

4. Party B further warrants to Party A that, unless otherwise agreed in writing by Party A, Party B shall not:

(1) Provide guarantee for other economic entities before paying off this financing (including principal and interest);

(2) Cause, lead or permit any Party A's current and future loss in property income and rights;

**5. Party B shall promise not to do the following events in any case:**

**(1) Refuse to pay due repayment and interests to Party A for any reason after Party A making financing payment, or appeal to the court to stop paying above funds and interests.**

**(2) Make base trade contract dispute damage the creditor's rights of Party A;**

**(3) Make mortgage / pledge for others by using documents and corresponding goods under above import letter of credit, import paying service.**

**(4) Engage in any activity which is harm to or may obstruct Party A to perform the obligations and responsibilities under this Agreement.**

**Article IX.** Responsibility of breach of contract

1. There is one of the following circumstances, it shall be regarded as breach of contract of Party B:

(1) The statement and guarantee made by Party B in this Agreement is not true or violating the commitments under this Agreement;

(2) Party B fails to perform the obligations under this Agreement;

(3) From the view of Party A, the production and operation or financial status of Party B may change or affect the performance of responsibilities and obligations under this financing agreement;

(4) Party B: stop production, dismiss, clearing accounts, out of business, cancellation of license or petition for bankruptcy;

(5) Party B is involved with major economic disputes or causing accidents due to violating food safety, production safety, environmental protection and other related laws and regulations, supervising rules or industry standards, etc., which may produce a major adverse impact for the fulfillment of its obligations under this Agreement;

(6) Party B uses the false contract entered with associated to extract Party A's capital or credit with a trade without real background, or escapes the creditor's rights of Party A through associated transaction;

(7) The guarantee against Party A under this Agreement has any change, Party B doesn't provide other guarantees in accordance with the requirements of Party A:

(8) Other situations which may have a major adverse effect on Party B performing the obligations under this Agreement.

2. In case Party B breaks a contract, Party A shall have the rights to adopt one or more of the following remedies:

(1) Ask Party B to rectify the default behaviors within a time limit;

(2) Stop issuing the financing funds which have not yet been issued;

(3) Announce that all unpaid financing funds are due immediately, Party B shall pay it off at once and undertake relevant default responsibilities.

(4) Ask Party B to compensate the expenses which are produced by Party A for realizing the creditor's rights under this Agreement, including but not limited to retaining fee, evaluation fee, auction fee.

(5) Related laws and regulations, other measures agreed in this Agreement or necessary for Party A.

Above measures shall not affect the rights of Party A under this Agreement. For this, Party B shall give up the rights of defense without preconditions.

**Article X. In case Party B doesn't make repayment when Party A's financing is due (including that was declared due in advance), Party A shall have the rights to deduct the corresponding amount from all accounts created by Party B at the site of Party A or other branches of Industrial and Commercial Bank of China, Party B shall not have any objection and give up defenses.**

**In case the currency is not consistent with this Agreement, it shall be calculated in accordance with the exchange rate appropriate for Party A on the transferring account date. Interest and other cost produced from the transferring account date to the payoff date (the date when Party A converts the currency and pays off the debts of Party B actually in accordance with the national foreign exchange management policy), as well as the difference amount because of the exchange rate fluctuation shall be undertaken by Party B.**

**Article XI.** Party A shall have the rights to provide information related to this Agreement and other related information of Party B to the credit investigation system of the People's Bank of China and other credit information databases established lawfully in accordance with the provisions of relevant laws and regulations or the requirements of financial organization, to be inquired and used for organizations or individuals with appropriate qualifications. Party A also shall have the rights to learn about the information of Party B through the credit investigation system of the People's Bank of China and other credit information databases established lawfully.

**Article XII.** Waiver: Party A doesn't or delays to exercise any right under this Agreement, it shall not be deemed as waiver, and shall not affect any obligation undertaken by Party B in this Agreement.

**Article XIII. Modification and supplement of the Agreement: this Agreement may be separately modified and supplemented with the approval from Party A and Party B. Any modification and supplement signed by Party A and Party B shall be an integral part of this Agreement with the equal legal effectiveness. But the original agreement shall still be effective before being modified and supplemented.**

**Article XIV.** The laws of the People's Republic of China (PRC) shall be appropriate for this Agreement. All disputes between the Both Parties arising from this Agreement shall be firstly resolved by the Both Parties through consultation. In case they fail to reach a consensus, the second kind of method shall be adopted to resolve it:

1. Arbitration shall be done by China International Economic and Trade Arbitration Commission (CIETAC) at \_\_\_\_\_ in accordance with the effective financial dispute processing rules upon application.

2. It shall be settled in the people's court at the site of Party A by the method of lawsuit.

During the course of lawsuit or arbitration, the terms not involved with any dispute in this Agreement shall still be performed.

**Article XV.** The change of Party A or Party B: when Party B has made merging, division, restructuring, it shall inform Party A in advance. This Agreement shall still be effective for Party A and Party B after merging, dividing, restructuring. Party A and Party B after changing shall respectively undertake or fulfill the obligations in this Agreement and respectively enjoy the rights in this Agreement.

**Article XVI.** The *Import Paying Service Application*, the *Trust Receipt*, *Import Paying Service Accelerated Repayment Application*, the *Import Paying Service Extending Application* and the *Import Paying Service Repayment Confirmation* of this Agreement shall be an integral part of this Agreement and binding upon the Both Parties.

**Article XVII.** This Agreement shall be in duplicate (original copy), Party A and Party B shall separately hold one. This Agreement shall be effective from the signing date to April 27, 2014. When it is determined, the obligations not performed yet shall also be bound to this Agreement.

Party A (Seal): Industrial and Commercial Bank of China Co., Ltd.  
(Sealed)

Party B (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Responsible Person (Authorized

Legal Representative (Authorized

Representative): 

Representative): John C.K. Sham 

Date of Signing: April 27, 2012

Witnessed by: 

**Maximum Amount Pledge Contract**

**Important notes: This Contract is signed by the Both Parties on the basis of their own free will and equality with consensus through consultation, all terms are real expressions of the Both Parties. To safeguard legal rights and interests of the Pledgor, the Pledgee has asked the Pledgor to pay special attention to all terms about the rights and interests of the Both Parties, especially for the boldface letters.**

**Pledgee:** Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch (Hereinafter referred to as "Party A")  
Responsible person: Xiaofeng Yao  
Business address: Qingxi Town, Dongguan City  
Tel. and Fax.: \_\_\_\_\_

**Pledgor:** Dongguan Lite Array Co., Ltd. (Hereinafter referred to as "Party B")  
Legal representative: John C.K. Sham  
Business address or dwelling place: Galaxy Ind. Area, Qingxi, Dongguan Province  
Tel. and Fax.: \_\_\_\_\_

To ensure the realization of Party A's creditor's rights, Party B shall provide the maximum amount pledge guarantee (counter guarantee) with free will. To determine the rights, obligations of the Both Parties, Party A and Party B shall sign this Contract through friendly negotiation in accordance with *Contract Law*, *Guarantee Law*, *Real Right Law* as well as other relevant laws and regulations.

#### **Article □. Guaranteed principal creditor's right**

1.1 The principal debt guaranteed by Party B shall be from August 28, 2012 to May 7, 2013 (including the start date and expiry date) within the maximum balance RMB 15,000,000.00 (capital letters: **FIFTEEN MILLION AND ONE HUNDRED THOUSAND ONLY**) (amount in capital letters shall prevail when it is consistent with the digital amount). Party A shall own the debt right against the Debtor in accordance with the contracts (including Foreign Currency Loan Contract, Foreign Exchange Transfer Loan Contract, Bank Acceptance Agreement, Letter of Credit Opening Agreement/Contract, Open Guarantee Agreement, International and Domestic Trade Financing Agreements, Forward Foreign Exchange Agreement as well as other financial derivative products agreements and other documents (hereinafter referred to as "Principal Contract")) signed with Dongguan Lite Array Co., Ltd. (hereinafter referred to as "Debtor"), no matter whether the debt expired during the above period, or the debt has been exited before setting the maximum amount.

**1.2 Above maximum balance is the sum balance in RMB calculated by different currencies in accordance with the foreign exchange middle price issued by Party A on the date when the main creditor's rights undertaken by Party B is determined.**

#### **Article II Range of pledge guarantee**

The maximum amount pledge guarantee range of Party B shall include the principal and the corresponding interest, compound interest, liquidated damages, damage awards, interest and damages, exchange rate loss (incurred due to exchange rate change), pledge storage fee as well as the expenses for realizing pledge right (including but not limited to legal cost, retaining fee, evaluation fee, auction fee, disposing fee and so on), but the expenses for realizing pledge right shall be deducted from the pledge object disposing fee, not included in the maximum balance described in the item 1.1.

### Article III Pledge object

3.1 For pledge object, please see Pledge object List. As the attachment of this contract, Pledge object List has the same legal force as this contract.

3.2 The Pledge object List is just the agreement for pledged value and not considered as the valuation basis for Party A disposing the pledge object, and does not constitute any limit to pledge right execution of Party A.

**3.3 The effect of Party A's pledge right refers to fruits produced by the pledge object, as well as the premium, indemnity and compensation caused due to pledge object damaged, lost or collected.**

3.4 Party A is entitled to charge the fruits of the pledge object, and the fruits shall be first used as fees for charging fruits.

**3.5 The premium, indemnity and compensation caused to Party B due to pledge object damaged, lost or collected shall be used for settlement of principal creditor's right in advance, or with Party A's permission, used for recovering the value of the pledge object, or deposited to Part A's specified account, to guarantee the fulfillment of liabilities under the contract. The undepreciated part of the pledge object shall still be used as the guarantee to the principal creditor's right.**

3.6 If the pledge object may be lost or damaged due to improper keeping of Party A, Party B can require Party A to draw the pledge object, and also require settlement of liabilities in advance and returning of the pledged property.

**3.7 Party A has the right to require Party B to provide the corresponding warranty, if Party A's rights will be harmed when the pledge object may be damaged or discounted obviously due to some reason outside the scope of Party A.**

3.8 In accordance with the ratio between the pledged value and maximum balance described in item 1.1, the following warning line and disposal line are established for the pledge object under this contract:

Warning line = Pledge value/Maximum balance described in item 1.1 = \_\_\_\_\_%

Disposal line = Pledge value/Maximum balance described in item 1.1 = \_\_\_\_\_%

**When the pledge value reduces below the warning line, Party B shall append the guarantee within the period required by Party A to supplement the pledged value gap caused by decrease of pledged value; when the pledged value reduces below the disposal line, Party A has the right to dispose the pledge object and will be compensated by the obtained payment.**

### Article IV Delivery and registration

4.1 Party B shall deliver the pledge object or right credential to Party A or its designated agent within 5 days since this contract takes effect. Party A or its designated agent shall issue the detention credential to Party B after accepting the pledge object or right credential, and the keeping fees of the pledge object shall be paid Party B.

4.2 If the pledge object under this contract shall be registered, Party A and Party B shall handle the pledge registration procedure to the concerning registration authority within 5 days since this contract takes effect; if change of registration for registered matters is required, Party A and Party B shall handle the change of registration in time. **Unless otherwise specified, the registration charge shall be paid by Party B.**

## **Article V Insurance**

(This article applies to pledge of movable property)

5.1 Within 15 days since the signing of this contract, Party B shall handle the pledge insurance procedure as required by Party A. If the pledge insurance cannot be handled one time due to some reason of the insurance authority, Party B shall handle the renewal of insurance in time, to ensure the property insurance of the pledge object within the effective term of this contract cannot be uninterrupted.

5.2 Insurance Policy shall be specified: When an accident is arose, Party A, as a payee of priority for compensation (the first beneficiary), will directly get payment of insurance indemnity from the insurer. There shall be no terms for limiting Party A's rights and interests in the Insurance Policy.

**5.3 Within the effective term of this contract, Party B cannot interrupt or cancel the insurance for any reason. If the insurance is interrupted, Party A is entitled to handle the insurance procedure on behalf of Party B, and all fees shall be paid by Party B.**

5.4 Within the effective term of this contract, if insurance accident happened to the pledge object, the insurance compensation shall be disposed as agreed in item 3.5.

## **Article VI Determination of principal creditor's right**

The creditor's rights of the maximum amount pledge guarantee are determined in case one of the following situations occurs:

- A. Period agreed in item 1.1 expired;
- B. New creditor's rights cannot recur;
- C. The pledged property has been closed or detained;
- D. The Debtor and Party B have been announced to bankrupt or withdrawn;
- E. Others regulated by laws.

## **Article VII Implementation of pledge right**

**7.1 Party A is entitled to implement the pledge right in case one of the following situations occurs:**

- A. When principal creditor's right is expired (including expiry in advance), the debtor cannot settle;**
- B. When one of the situations prescribed in item 3.7 under this contract occurs, Party B has not provided the corresponding guarantee;**
- C. When the pledged value reduces below the warning line agreed in item 3.8, Party B has not appended the guarantee as required by Party A, or the pledge value reduces below the disposal value agreed in item 3.8;**
- D. Party B or the debtor has been applied for being bankrupt, closing down, settlement and stopping business for internal rectification, and revoked business license or cancelled;**
- E. Others regulated by laws.**

7.2. Party A can auction, sell or cash the pledge object and be compensated by the cashed payment, or use the cashed payment of the pledge object to settle the principal creditor's right through negotiation with Party B when implementing the pledge right.

7.3 When the pledge object is cashed or the date of delivery is earlier than expiry date of the principal creditor's right, Party A can cash or draw the pledge object. The cashed payment is used for paying off the liabilities in advance, or deposited to Party A's specified account to guarantee the fulfillment of the liabilities. The drawn goods shall be delivered and registered by Article IV in this contract, to guarantee the fulfillment of the liabilities; the payment after auctioning or selling the pledge object is used for paying off the liabilities in advance, or deposited to Party A's specified account to guarantee the fulfillment of the liabilities.

**7.4. If Party B can use the certificate of deposit or national bonds to cash or withdraw the right pledge, Party B authorizes Party A to cash or withdraw in advance when implementing the pledge right to pay off the liabilities by the obtained payment when the cashing or withdrawal date is later than date of pledge implementation agreed in item 7.1 by Part A, and the loss caused by this shall be assumed by Party B.**

7.5 If the payment arising from the pledge object punishment is inconsistent with the currency in the primary contract, it shall be exchange to the currency in the primary contract by the appropriate exchange ratio published by Party A to pay off the liabilities under the contract.

#### **Article VIII Statement and guarantee of Party B**

Party B shall make the following statements and guarantees:

8.1 Party B is the owner of the pledge or the operation manager authorized by the State, the pledge has no dispute about ownership, usage right or operation right: all necessary authorizations or approvals have been obtained in accordance with the procedures and rights regulated in the memorandum of association for providing the pledge guarantee for Party A without violating laws and regulations as well as other relevant regulations.

8.2 In case it is a listed company or a holding company of a listed company, it shall perform the information disclosure obligation for this guarantee item in time in accordance with *Securities Act, Securities Act, Stock Exchange Listing Rules* as well as other laws and regulations.

8.3 Completely learned about the purpose of debts under the Principal Contract, providing the pledge guarantee for the Pledgee is based on free will. The expression under this Contract is really true. For the international and domestic trade financing, Party B shall acknowledge that the basis of financing is true without any fraud.

8.4 All necessary authorizations or approvals have been obtained for signing this Contract.

8.5 The pledge right may be set for the pledge object under this Contract without any restriction;

8.6 In case the pledge object has any flaw, full and reasonable description shall be made for the flaw. In case the pledge object has set the pledge right, it shall inform Party A truthfully.

8.7 The pledge object under this Contract shall be not made any disposal, such as real right guarantee, gifting or transferring.

8.8 The pledge object shall not belong to common property. In case it belongs to common property, approval has already been obtained from common owners in written.

8.9 In case the main creditor's rights guaranteed by this Contract is that Party A provides international trade financing to the debtor, Party B shall accept and recognize the international common practice of relevant businesses.

## Article IX Promise of Party B

Party B shall make the following promises to Party A:

**9.1 In case one of the following situations occurs, Party B may continue to perform the guarantee obligations under this Contract without the approval from Party B:**

**A. Party A changes the Principal Contract by consulting with the debtor, without adding the debt of the debtor or extending the time period;**

**B. Under the international and domestic trade financing items, Party A and the debtor make change for letter of credit related to the Principal Contract without adding the payment obligation under the letter of credit or extending the payment time period;**

**C. In case Party A has transferred the main creditor's rights.**

9.2 Within the effective period of this Contract, the disposed pledge object shall not be presented, transferred or used by others without the approval from Party A.

**9.3 Shall undertake all expenses produced by Party A for realizing the pledge right of this Contract, including but not limited to legal cost, retaining fee, evaluation fee, auction fee, disposing fee and so on.**

9.4 Damage to Party A or the third party caused by the pledge object not due to the reason of Party A, Party B shall undertake compensation responsibilities.

9.5 When the pledge right has already or may be damaged by the third party, it shall inform Party A in time and help Party A to avoid the damage.

9.6 In case deposit receipt, certificate-type government loan, bank acceptance draft has been used for pledge, it shall not report the loss to stop paying in any way. In case accounts receivable has been used for pledge, it shall provide the required information about registering pledge, and sign the registering agreement and registering extending and change agreement with Party A.

9.7 Shall provide active coordination when Party A realizes the pledge right without setting any hinder to prevent Party A performing the pledge right.

9.8 In case one of the following events occurs, it shall inform Party A timely:

A. Change in registered name, memorandum of association, operating range, registered capital, legal representative, major stock rights change;

B. Stop production, dismiss, clearing accounts, out of business, cancellation of license, cancelled or petition for bankruptcy;

C. Already or may be involved in major case or economic dispute, lawsuit, arbitration or property is detained by law, closed down, held in custody or supervised;

D. As a natural person, Party B's effective ID Card No., dwelling place, working organization, contact method changed.

9.9 Sign the written notice issued by Party A in time.

**9.10 In case there are other guarantees for the main creditor's rights of Party A, no matter this guarantee is provided by the debtor or the third party, Party A shall have the rights to decide the sequence to realize the guarantee, Party B shall promise not to put forward the counterargument. In case Party A gives up, changes or losses other guarantee rights under the Principal Contract, the guarantee responsibilities of Party B shall continue to be effective without becoming invalid or reduced for this.**

9.11 Under domestic letter of credit, the buyer financing of domestic letter of credit, import letter of credit and import documentary credit/ import paying service, once one of the following situations occurs, Party B shall have the non-defense pledge guarantee obligation, Party B shall not put forward exemption or counterargument because any judicial authority or administrative organization issues any payment stopping order, restraining order or adopts detaining, closing, holding in custody and other measures or similar measures;

A. The person specified or authorized by Party A has paid in accordance with the requirements of Party A;

B. Party A or the person specified or authorized by Party A has provided due payment confirmation for the goods payment under domestic letter of credit or made acceptance for documents under import letter of credit in good faith.

C. The confirming bank of letter of credit has performed the payment obligations in good faith.

D. The negotiation bank of letter of credit has performed the negotiation obligations in good faith.

9.12 Under the shipping guarantee, endorsement of bill of lading, unauthorized withdrawal, Party B shall not put forward exemption or counterargument because the borrower refuses to pay the funds under letter of credit.

#### **Article X Promise of Party A**

Party A shall make below promises to Party B:

10.1 Party A shall keep secret for all related documents, financial data and other relative but undisclosed information provided by Party B under the duty of Contract, but shall exclude the additional rules of the laws and regulations.

10.2 Keep pledged properties properly.

10.3 The remaining from dispose of the pledged property income after paying off all the debt within the scope of the pledged collateral, Party A shall return the remaining part to Party B in time.

10.4 Debtor shall pay off all debts in terms of the Main Contract, or Party B shall pay for Party A all claims under the provisions of the Main Contract, Party A shall return the pledged property and its ownership certificate, invoices, other related information or the Pledgor right certificate to Party B in time.

#### **Article XI Breach of contract**

11.1 Either Party fails to perform any of the obligations, or breach any statements, guarantees and promises under this Contract since the Contract becoming effective, then such Party shall be in breach of the Contract. It shall compensate for the other Party if caused lost.

11.2 Except the contract specially specified, either Party breaches the contract, the other Party shall have the right to adopt any other measures in the laws and regulations of PRC.

#### **Article XII Validity, amendment and termination**

12.1 This Contract shall come into effect since the date when it is signed by both Parties, and shall be terminated till the date of Party A's debts fully paid off under the Main Contract.

12.2 Any changes in this Contract shall be in written form after negotiating by both parties. The amendments or agreements shall be a part of the Contract, have the equal legal effect to the Contract. The other parts shall be still valid except the changing part; the original articles are still effective before the amendments become effective.

12.3 Any invalid or unenforceable articles under this Contract shall not influence the other articles' validity and enforceability, nor influence the validity of the entire Contract.

12.4 The Contract's amendment and termination shall not affect the right of each Party to claim damages. Termination of the Contract shall not influence the contractual provisions relating to the effectiveness of dispute resolution.

### Article XIII Settlement of disputes

The conclusion of this Contract, effectiveness, interpretation, implementation and settlement of dispute shall be governed by the laws of the People's Republic of China. In the event of any dispute and controversy arising out of or relating to this Contract, the Parties shall resolve through consultations; if can not be resolved by consultation, then shall be settled according to the below method B:

A. The dispute shall be submitted to \_\_\_\_\_ Arbitration Commission, in accordance with its effective arbitration rules in the time of submitting arbitration application, for arbitration at \_\_\_\_\_ (arbitration place). The arbitration award shall be final and binding on the Parties.

B. The dispute shall be solved through litigation at Party A's local court.

### Article XIV Others

14.1 Party B shall not transfer the entire or partial rights or duties under this Contract without Party A's agreement in written form.

**14.2 Before confirming the creditor's rights of maximum amount pledge, Party A can transfer the pledge right of the maximum amount together if transfer the partial creditor's rights.**

14.3 Party A fails or delays to exercise a right under this Contract, shall not operate as a waiver or change thereof, nor shall preclude any other future exercise thereof.

14.4 According to rules of the relative laws and regulations or other normative documents or the request of financial regulators, Party A shall have right to provide the relative information of the Contract and other related information to the People's Bank of China Credit Information Basic Database or other legal setting up credit database, for organizations or individuals with appropriate qualifications to query and use. Party A shall also have the right to query Party B's related information through the People's Bank of China Credit Information Basic Database or other legal setting up credit database for the purpose of the Contract's conclusion and implementation.

14.5 This Contract is executed in two originals, each Party and \_\_\_\_\_ has one original, shall be equally authentic.

### Article XV Other items agreed by the Both Parties

15.1 \_\_\_\_\_

15.2 \_\_\_\_\_

Appendix: *Pledge Objects List*

Party A (Seal): Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch (Sealed)

Authorized Representative: 

Party B: Dongguan Lite Array Co., Ltd. (Sealed)

Legal Representative (Authorized Representative): John C.K. Sham 

Common Owners of Pledge Objects: \_\_\_\_\_

Date of Signature: August 28, 2012

Appendix:

### Pledge Objects List

<u>Name</u>	<u>Ownership Certificate or Document of Title</u>	<u>Condition</u>	<u>Value or Estimated Value</u>	<u>Others</u>
Fixed Deposit Receipt of Organization	YUE B00004117	In good condition	RMB 15,000,000.00 YUAN	



Pledgor: John C.K. Sham

Common Owners of Pledge Objects (if any): Dongguan Lite Array Co., Ltd. (Sealed)



Pledgee: Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch (Sealed)

**General Agreement on Import Goods Prepayment Financing**

**Special notes: This Agreement is signed by Party A and Party B on the basis of their own free will and equality with consensus through consultation, all terms are real expressions of the Both Parties. To safeguard legal rights and interests of Party B, Party A has asked Party B to pay special attention to all terms about the rights and interests of the Both Parties, especially for the boldface letters.**

Party A: Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch  
Dwelling place (address): Administration Center Avenue Side, Qingxi Town, Dongguan City  
Responsible person: Xiaofeng Yao  
Tel. and Fax.: \_\_\_\_\_ / \_\_\_\_\_

Party B (full name): Dongguan Lite Array Co., Ltd.  
Dwelling place (address): Galaxy Ind. Area, Qingxi, Dongguan Province  
Legal representative (or authorized representative): John C. K. Sham  
Tel. and Fax.: \_\_\_\_\_ / \_\_\_\_\_

Whereas: Dongguan Lite Array Co., Ltd. (hereinafter referred to as Party B) applies for import goods prepayment financing to Dongguan Qingxi Branch, Industrial & Commercial Bank of China Co., Ltd. (hereinafter referred to as Party A), to determine responsibility, keep their word, the Both Parties shall conclude this Agreement on December 5, 2012.

**Article I.** "Import goods prepayment financing": under the import trade item, due to funding demand of Party B, Party B applies for the funds guarantee measures, under this condition, Party A makes financing to Party B, and pays the foreign goods payment through financing funds for Party B, Party B promises to repay the mentioned funds and the resulting interest, overdue fines, etc. within the prescribed period.

Under above conditions, all risks in import shall be undertaken by Party B.

**Article II.** This Agreement shall apply to all import goods prepayment financings services handled by Party A for Party B. Party B shall submit the *Import Goods Prepayment Financing Application* for every financing service to apply for it one by one. Party A shall decide whether to handle the business in accordance with the specific situation, and determine the financing amount, time limit, interest rate, etc. in accordance with the provisions of Party A.

**Article III.** For the goods prepayment financing, in case the exporter provides a Goods Prepayment Guarantee Letter accepted by Party A, Party B agrees to transfer the rights under the Goods Prepayment Guarantee Letter to Party A, also, such transferring has been parrowed by the exporter.

**Article IV.** Party B shall provide the following materials to Party A one by one before applying for each goods prepayment financing service:

1. Import Goods Prepayment Financing Service Application.
2. Outward Remittance Service Application.
3. Trade Contract, in the Contract, it shall regulate that Party B pays full or partial goods payment in advance.
4. Import Agency Agreement (under import agency service method).
5. Import Payment Registration Form (if required).
6. Commercial Invoice or Proforma Invoice under goods prepayment funds.
7. The Goods Prepayment Guarantee Letter issued by the exporter (if any).

**Article V.** Party A shall have the rights to check, supervise the operating management, financial activities and material inventory as well as sales conditions. Party B shall submit the financial statements as well as related planning and statistics every month, and provide assistance for the financing management work to Party A.

**Article VI.** In order to ensure Party A collects the goods payment and interests on time, Party B shall agree to provide the corresponding guarantee to make [ / ] (the guarantor) sign a guarantee contract (Contract No. [ / ]) with Party A, the guarantor responsibility shall cover all services handled by Party B under this General Agreement. In case Party B can't pay it off, the guarantor shall undertake the debt repayment responsibility without preconditions.

Party B also may provide mortgage (pledge) object accepted by Party A to Party A, Party B or [ / ] (the guarantor) shall sign maximum amount guarantee mortgage (pledge) contract (Contract No.: 2012 (QING) ZZ No. 1001 and 2012 (QING) ZZ No. 1002) to handle the relevant procedures. The guarantor responsibility shall cover all services handled by Party B under this General Agreement. In case Party B can't pay it off, Party A shall enjoy the rights for getting the principal and interest repaid from mortgage (pledge) object. Above pledge / mortgage object shall be the item other than the imported goods.

Above mortgage (pledge) agreement object or guarantee shall be an integral part of this Agreement with the equal legal effectiveness.

**Article VII.** Party B shall ensure to repay the principal and interest in accordance with the Agreement on schedule. Party B may repay in advance or make installment repayment, the interests after Party B repaying shall be counted in accordance with the unpaid balance.

In case Party B can't repay on schedule for whatever reason, Party A shall have the following rights:

1. Collect the overdue fines for overdue repayment in accordance with the financing interest rate.
2. Deduct the debt from the account receivable of Party B.
3. Dispose mortgage / pledge object or ask the guarantor to perform the repayment obligations;
4. In case it can't pay off after disposing mortgage / pledge object or asking the guarantor to perform the repayment obligations, Party A shall have the rights to continue to ask Party B to repay, till the debt is paid off.
5. Adopt other measures which are enough to safeguard rights and interests of Party A under this Agreement.

**Article VIII.** For foreign payment under import goods prepayment financing, even though the payee name, account No., bank name or address is wrong, only Party A or the bank designated by Party A pays in accordance with the indications of Party B, Party B shall undertake the responsibility for repaying the principal and interest.

**Article IX.** Party B shall submit the import customs clearance related documents to Party A within 15 days after completing customs clearance procedures, and ensure that the information about goods name, quantity, port and so on recorded in the customs declaration form is consistent with the submitted material.

**Article X.** After Party B accepting the import goods prepayment financing of Party A, post trade financing and import settlement service under this basic service shall be handled by Party A.

**Article XI.** In case the goods under the import goods prepayment financing isn't imported, and it shall return remittance, Party B shall promise to set the account created by Party A as the remittance returning account agreed in the Import Trade Contract, and authorize Party A to supervise this account, the returned remittance shall be transferred to this account (Account No.: 2010028919200084939), which is used for paying off the financing funds and relevant interests.

**Article XII.** In case letters, calls, documents under this general agreement or corresponding invoice are lost, delayed or missed during the course of telecommunications or posting, or loss caused by other force majeure shall be undertaken by Party B.

**Article XIII.** 1. The statement and guarantee of Party B. Party B shall make the following promises to Party A, and the following promises shall be effective within the period of validity of this Agreement:

(1) Has the right as principal of financing applicant with the qualification and ability to sign and perform this Agreement.

(2) Basic business under this Agreement is real, legal, effective, and obtained all rights and approval to sign this Agreement, signing this Agreement doesn't breach the memorandum of association or relevant laws and regulations, there is no any conflict with other contracts signed or being signed by Party B.

(3) All documents, statements, materials and other files related to basic business and provided to Party A are real, accurate, complete and effective, there is no any fault record, major loss or misleading statement.

(4) Operates legally with good credit. There is no default, escaping bank debt and other bad records.

2. The promise of Party B. Party B shall make the following promises:

(1) Shall take and use financing funds in accordance with the time limit and purpose regulated in this Agreement, the financing funds shall not be flowed into stock market, forward market or equity capital investment, as well as other purposes not allowed or forbidden by relevant laws and regulations.

(2) Shall pay off the principal and interest for financing as well as other account payable.

(3) Shall accept the financing condition investigation, knowing and supervision, and accept the supervision made by Party A for the remittance returning account.

(4) Shall provide the balance sheet, income statement, cash flow statement and other financial materials, actively help Party A to make investigation for production, sales, operating and financial conditions.

(5) Shall disclose associated relationship and associated business timely, completely and accurately.

(6) Shall not make pledge or mortgage with documents or corresponding goods under basic business without the approval from Party A.

(7) Before paying off all financing funds (including the principal and interest) under this Agreement, in case Party B provides any type of guarantee, it shall not damage the creditor's rights of Party A.

(8) Shall not change basic contract without the approval from Party A.

(9) Shall not make basic contract dispute damage the creditor's rights of Party A.

(10) In case the following events occur, it shall inform Party A in written timely:

A. Change in memorandum of association, operating range, registered capital, legal representative, major stock rights change;

B. Stop production, dismiss, clearing accounts, out of business, cancellation of license, cancelled or petition for bankruptcy;

C. Member of board of directors or current high manager is involved in major case or economic dispute;

D. Under basic business, the goods is in danger, detained by customs or closed down, held in custody, performed in force;

E. Under basic business, any dispute or other changes have occurred, which already produced adverse effect on creditor's rights of Party A;

F. Party B has any major adverse effect on the obligations under this Agreement or other defaults violating this Agreement.

**Article XIV.** There is one of the following circumstances, it shall be regarded as breach of contract of Party B:

1. Party B doesn't pay off any principal and interest for financing funds and other account payable under this Agreement, doesn't use the financing funds as required, doesn't perform any obligation under this Agreement, and doesn't pay off within reasonable period after Party A requesting, violates any statement, guarantee or promise under this Agreement.

2. There is any change adverse to creditor's rights of Party A, Party B doesn't provide other guarantees accepted by Party A.

3. Party B doesn't make repayment when Party A's financing is due (including that was declared due in advance), or doesn't perform or violates other obligations under this Agreement, which has already or may affect the obligations performing under this Agreement.

4. Party B has any condition which may produce major adverse effect on its obligations performing, including but not limited to production, operation and financial situation deterioration, major economic dispute or accidents due to violating food safety, production safety, environmental protection and other related laws and regulations, supervising rules or industry standards and so on.

5. Party B: Stop production, dismiss, clearing accounts, out of business, cancellation of license, cancelled or petition for bankruptcy.

6. The goods under prepayment financing is in danger, detained by customs or closed down, held in custody, performed in force, which has already or may affect the obligations performing under this Agreement.

7. Party B uses the false contract entered with associated to extract Party A's capital or credit with a trade without real background, or escapes the creditor's rights of Party A through associated transaction.

8. Party B provides mortgage (pledge) or guarantee to others with the assets of Party A without the approval from Party A, which makes the risk of Party A increased; or Party B provides mortgage (pledge) with documents or goods under basic business without the approval from Party A.

9. Party B receives any returned remittance, but doesn't transfer it to the remittance returning account as required.

10. Any trade dispute raised between Party B and basic business sales party or the third party (including but not limited to quality, technology, service and so on), debt dispute, which has already or may have adverse effect on the creditor's rights of Party A.

11. Other situations which Party A thinks reasonably that it may have adverse effect on the creditor's rights of Party A.

When above situations occur, Party B shall inform Party A in written.

**Article XV.** In case Party B breaks a contract, and Party A thinks it can be remedied, Party B shall make reasonable remedies within the reasonable period regulated by Party A to satisfy Party A, otherwise, Party A shall have the rights to adopt one or more of the following measures:

(1) Announce that all or partial unpaid financing funds are due immediately, Party B shall pay it off at once;

(2) Collect fines for overdue debts in accordance with the financing interest rate;

(3) Stop handling prepayment financing service application newly added by Party B;

(4) Ask Party B to compensate the expenses which are produced by Party A for realizing the creditor's rights under this Agreement, including but not limited to retaining fee, evaluation fee, auction fee;

(5) Deduct the payment from the account of Party B created at the site of Party A or perform other offset rights;

(6) Dispose mortgage object or ask the guarantor to perform the guarantee obligations.

(7) In case it can't pay off after disposing mortgage object or asking the guarantor to perform the repayment obligations, Party A shall have the rights to continue to ask Party B to repay, till the debt is paid off;

(8) Adopt other measures which are enough to safeguard rights and interests of Party A under this Agreement.

Above measures shall not affect other rights under this Agreement.

**Article XVI.** Party A doesn't or delays to exercise any right under this Agreement, it shall not be deemed as waiver, and shall not affect any obligation undertaken by Party B in this Agreement.

**Article XVII.** This Agreement may be separately modified and supplemented with the approval from Party A and Party B. Any modification and supplement signed by Party A and Party B shall be an integral part of this Agreement with the equal legal effectiveness. But the original agreement shall still be effective before being modified and supplemented.

**Article XVIII.** When Party B has made merging, division, restructuring, it shall inform Party A in advance. When Party B has made merging and funds reduction, Party A shall have the rights to ask Party B to pay off debts or provide the guarantee; when Party B has made division, Party B shall ensure that each company undertakes the joint responsibility, otherwise, it shall pay off debts or provide the guarantee separately.

**Article XIX.** This Agreement shall become effective on signature or seal of the Both Parties. Each party shall have the rights to terminate this Agreement, the party who puts forward to terminate this Agreement shall inform the other party 15 in advance in written. The repayment service handled before the termination date shall not be affected by termination, the obligations and rights of the Both Parties shall be bound by this Agreement.

**Article XX.** *Import Goods Prepayment Financing Service Application* submitted by Party B and accepted by Party A shall be an integral part of this Agreement and binding upon the Both Parties.

**Article XXI.** Applicable laws and dispute resolution

The laws of the People's Republic of China (PRC) shall be appropriate for this Agreement. All disputes between the Both Parties arising from this Agreement shall be firstly resolved by the Both Parties through consultation. In case they fail to reach a consensus, the second kind of method shall be adopted to resolve it:

1. Arbitration shall be done by China International Economic and Trade Arbitration Commission (CIETAC).

2. It shall be settled in the people's court at the site of Party A by the method of lawsuit.

During the course of lawsuit or arbitration, the terms not involved with any dispute in this Agreement shall still be performed.

Party A (Seal): Industrial and Commercial Bank of China Co., Ltd.  
(Sealed)

Responsible Person (Authorized

Representative):



Party B (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Legal Representative (Authorized

Representative): John C.K. Sham



**Maximum Amount Pledge Contract**

**Important notes: This Contract is signed by the Both Parties on the basis of their own free will and equality with consensus through consultation, all terms are real expressions of the Both Parties. To safeguard legal rights and interests of the Pledgor, the Pledgee has asked the Pledgor to pay special attention to all terms about the rights and interests of the Both Parties, especially for the boldface letters.**

**Pledgee:** Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch (Hereinafter referred to as "Party A")  
Responsible person: Xiaofeng Yao  
Business address: Qingxi Town, Dongguan Province  
Tel. and Fax.: \_\_\_\_\_

**Pledgor:** Dongguan Lite Array Co., Ltd. (Hereinafter referred to as "Party B")  
Legal representative: John C.K. Sham  
Business address or dwelling place: Galaxy Ind. Area, Qingxi, Dongguan Province, PRC  
Tel. and Fax.: \_\_\_\_\_

To ensure the realization of Party A's creditor's rights, Party B shall provide the maximum amount pledge guarantee (counter guarantee) with free will. To determine the rights, obligations of the Both Parties, Party A and Party B shall sign this Contract through friendly negotiation in accordance with *Contract Law*, *Guarantee Law*, *Real Right Law* as well as other relevant laws and regulations.

#### **Article □. Guaranteed principal creditor's right**

1.1 The principal debt guaranteed by Party B shall be from April 28, 2012 to April 28, 2013 (including the start date and expiry date) within the maximum balance RMB 9,100,000.00 (capital letters: NINE MILLION AND ONE HUNDRED THOUSAND ONLY) (amount in capital letters shall prevail when it is consistent with the digital amount). Party A shall own the debt right against the Debtor in accordance with the contracts (including Foreign Currency Loan Contract, Foreign Exchange Transfer Loan Contract, Bank Acceptance Agreement, Letter of Credit Opening Agreement/Contract, Open Guarantee Agreement, International and Domestic Trade Financing Agreements, Forward Foreign Exchange Agreement as well as other financial derivative products agreements and other documents (hereinafter referred to as "Principal Contract")) signed with Dongguan Lite Array Co., Ltd. (hereinafter referred to as "Debtor"), no matter whether the debt expired during the above period, or the debt has been exited before setting the maximum amount.

**1.2 Above maximum balance is the sum balance in RMB calculated by different currencies in accordance with the foreign exchange middle price issued by Party A on the date when the main creditor's rights undertaken by Party B is determined.**

#### **Article II Range of pledge guarantee**

The maximum amount pledge guarantee range of Party B shall include the principal and the corresponding interest, compound interest, liquidated damages, damage awards, interest and damages, exchange rate loss (incurred due to exchange rate change), pledge storage fee as well as the expenses for realizing pledge right (including but not limited to legal cost, retaining fee, evaluation fee, auction fee, disposing fee and so on), but the expenses for realizing pledge right shall be deducted from the pledge object disposing fee, not included in the maximum balance described in the item 1.1.

### Article III Pledge object

3.1 For pledge object, please see Pledge object List. As the attachment of this contract, Pledge object List has the same legal force as this contract.

3.2 The Pledge object List is just the agreement for pledged value and not considered as the valuation basis for Party A disposing the pledge object, and does not constitute any limit to pledge right execution of Party A.

**3.3 The effect of Party A's pledge right refers to fruits produced by the pledge object, as well as the premium, indemnity and compensation caused due to pledge object damaged, lost or collected.**

3.4 Party A is entitled to charge the fruits of the pledge object, and the fruits shall be first used as fees for charging fruits.

**3.5 The premium, indemnity and compensation caused to Party B due to pledge object damaged, lost or collected shall be used for settlement of principal creditor's right in advance, or with Party A's permission, used for recovering the value of the pledge object, or deposited to Part A's specified account, to guarantee the fulfillment of liabilities under the contract. The undepreciated part of the pledge object shall still be used as the guarantee to the principal creditor's right.**

3.6 If the pledge object may be lost or damaged due to improper keeping of Party A, Party B can require Party A to draw the pledge object, and also require settlement of liabilities in advance and returning of the pledged property.

**3.7 Party A has the right to require Party B to provide the corresponding warranty, if Party A's rights will be harmed when the pledge object may be damaged or discounted obviously due to some reason outside the scope of Party A.**

3.8 In accordance with the ratio between the pledged value and maximum balance described in item 1.1, the following warning line and disposal line are established for the pledge object under this contract:

Warning line = Pledge value/Maximum balance described in item 1.1 = \_\_\_\_\_%

Disposal line = Pledge value/Maximum balance described in item 1.1 = \_\_\_\_\_%

**When the pledge value reduces below the warning line, Party B shall append the guarantee within the period required by Party A to supplement the pledged value gap caused by decrease of pledged value; when the pledged value reduces below the disposal line, Party A has the right to dispose the pledge object and will be compensated by the obtained payment.**

### Article IV Delivery and registration

4.1 Party B shall deliver the pledge object or right credential to Party A or its designated agent within 5 days since this contract takes effect. Party A or its designated agent shall issue the detention credential to Party B after accepting the pledge object or right credential, and the keeping fees of the pledge object shall be paid Party B.

4.2 If the pledge object under this contract shall be registered, Party A and Party B shall handle the pledge registration procedure to the concerning registration authority within 5 days since this contract takes effect; if change of registration for registered matters is required, Party A and Party B shall handle the change of registration in time. **Unless otherwise specified, the registration charge shall be paid by Party B.**

## **Article V Insurance**

(This article applies to pledge of movable property)

5.1 Within 15 days since the signing of this contract, Party B shall handle the pledge insurance procedure as required by Party A. If the pledge insurance cannot be handled one time due to some reason of the insurance authority, Party B shall handle the renewal of insurance in time, to ensure the property insurance of the pledge object within the effective term of this contract cannot be uninterrupted.

5.2 Insurance Policy shall be specified: When an accident is arose, Party A, as a payee of priority for compensation (the first beneficiary), will directly get payment of insurance indemnity from the insurer. There shall be no terms for limiting Party A's rights and interests in the Insurance Policy.

**5.3 Within the effective term of this contract, Party B cannot interrupt or cancel the insurance for any reason. If the insurance is interrupted, Party A is entitled to handle the insurance procedure on behalf of Party B, and all fees shall be paid by Party B.**

5.4 Within the effective term of this contract, if insurance accident happened to the pledge object, the insurance compensation shall be disposed as agreed in item 3.5.

## **Article VI Determination of principal creditor's right**

The creditor's rights of the maximum amount pledge guarantee are determined in case one of the following situations occurs:

- A. Period agreed in item 1.1 expired;
- B. New creditor's rights cannot recur;
- C. The pledged property has been closed or detained;
- D. The Debtor and Party B have been announced to bankrupt or withdrawn;
- E. Others regulated by laws.

## **Article VII Implementation of pledge right**

**7.1 Party A is entitled to implement the pledge right in case one of the following situations occurs:**

- A. When principal creditor's right is expired (including expiry in advance), the debtor cannot settle;**
- B. When one of the situations prescribed in item 3.7 under this contract occurs, Party B has not provided the corresponding guarantee;**
- C. When the pledged value reduces below the warning line agreed in item 3.8, Party B has not appended the guarantee as required by Party A, or the pledge value reduces below the disposal value agreed in item 3.8;**
- D. Party B or the debtor has been applied for being bankrupt, closing down, settlement and stopping business for internal rectification, and revoked business license or cancelled;**
- E. Others regulated by laws.**

7.2. Party A can auction, sell or cash the pledge object and be compensated by the cashed payment, or use the cashed payment of the pledge object to settle the principal creditor's right through negotiation with Party B when implementing the pledge right.

7.3 When the pledge object is cashed or the date of delivery is earlier than expiry date of the principal creditor's right, Party A can cash or draw the pledge object. The cashed payment is used for paying off the liabilities in advance, or deposited to Party A's specified account to guarantee

the fulfillment of the liabilities. The drawn goods shall be delivered and registered by Article IV in this contract, to guarantee the fulfillment of the liabilities; the payment after auctioning or selling the pledge object is used for paying off the liabilities in advance, or deposited to Party A's specified account to guarantee the fulfillment of the liabilities.

**7.4. If Party B can use the certificate of deposit or national bonds to cash or withdraw the right pledge, Party B authorizes Party A to cash or withdraw in advance when implementing the pledge right to pay off the liabilities by the obtained payment when the cashing or withdrawal date is later than date of pledge implementation agreed in item 7.1 by Part A, and the loss caused by this shall be assumed by Party B.**

7.5 If the payment arising from the pledge object punishment is inconsistent with the currency in the primary contract, it shall be exchange to the currency in the primary contract by the appropriate exchange ratio published by Party A to pay off the liabilities under the contract.

#### **Article □ Statement and guarantee of Party B**

Party B shall make the following statements and guarantees:

8.1 Party B is the owner of the pledge or the operation manager authorized by the State, the pledge has no dispute about ownership, usage right or operation right: all necessary authorizations or approvals have been obtained in accordance with the procedures and rights regulated in the memorandum of association for providing the pledge guarantee for Party A without violating laws and regulations as well as other relevant regulations.

8.2 In case it is a listed company or a holding company of a listed company, it shall perform the information disclosure obligation for this guarantee item in time in accordance with *Securities Act, Securities Act, Stock Exchange Listing Rules* as well as other laws and regulations.

8.3 Completely learned about the purpose of debts under the Principal Contract, providing the pledge guarantee for the Pledgee is based on free will. The expression under this Contract is really true. For the international and domestic trade financing, Party B shall acknowledge that the basis of financing is true without any fraud.

8.4 All necessary authorizations or approvals have been obtained for signing this Contract.

8.5 The pledge right may be set for the pledge object under this Contract without any restriction;

8.6 In case the pledge object has any flaw, full and reasonable description shall be made for the flaw. In case the pledge object has set the pledge right, it shall inform Party A truthfully.

8.7 The pledge object under this Contract shall be not made any disposal, such as real right guarantee, gifting or transferring.

8.8 The pledge object shall not belong to common property. In case it belongs to common property, approval has already been obtained from common owners in written.

8.9 In case the main creditor's rights guaranteed by this Contract is that Party A provides international trade financing to the debtor, Party B shall accept and recognize the international common practice of relevant businesses.

#### **Article □ Promise of Party B**

Party B shall make the following promises to Party A:

**9.1 In case one of the following situations occurs, Party B may continue to perform the guarantee obligations under this Contract without the approval from Party B:**

**A. Party A changes the Principal Contract by consulting with the debtor, without adding the debt of the debtor or extending the time period;**

**B. Under the international and domestic trade financing items, Party A and the debtor make change for letter of credit related to the Principal Contract without adding the payment obligation under the letter of credit or extending the payment time period;**

**C. In case Party A has transferred the main creditor's rights.**

9.2 Within the effective period of this Contract, the disposed pledge object shall not be presented, transferred or used by others without the approval from Party A.

**9.3 Shall undertake all expenses produced by Party A for realizing the pledge right of this Contract, including but not limited to legal cost, retaining fee, evaluation fee, auction fee, disposing fee and so on.**

9.4 Damage to Party A or the third party caused by the pledge object not due to the reason of Party A, Party B shall undertake compensation responsibilities.

9.5 When the pledge right has already or may be damaged by the third party, it shall inform Party A in time and help Party A to avoid the damage.

9.6 In case deposit receipt, certificate-type government loan, bank acceptance draft has been used for pledge, it shall not report the loss to stop paying in any way. In case accounts receivable has been used for pledge, it shall provide the required information about registering pledge, and sign the registering agreement and registering extending and change agreement with Party A.

9.7 Shall provide active coordination when Party A realizes the pledge right without setting any hinder to prevent Party A performing the pledge right.

9.8 In case one of the following events occurs, it shall inform Party A timely:

A. Change in registered name, memorandum of association, operating range, registered capital, legal representative, major stock rights change;

B. Stop production, dismiss, clearing accounts, out of business, cancellation of license, cancelled or petition for bankruptcy;

C. Already or may be involved in major case or economic dispute, lawsuit, arbitration or property is detained by law, closed down, held in custody or supervised;

D. As a natural person, Party B's effective ID Card No., dwelling place, working organization, contact method changed.

9.9 Sign the written notice issued by Party A in time.

**9.10 In case there are other guarantees for the main creditor's rights of Party A, no matter this guarantee is provided by the debtor or the third party, Party A shall have the rights to decide the sequence to realize the guarantee, Party B shall promise not to put forward the counterargument. In case Party A gives up, changes or losses other guarantee rights under the Principal Contract, the guarantee responsibilities of Party B shall continue to be effective without becoming invalid or reduced for this.**

9.11 Under domestic letter of credit, the buyer financing of domestic letter of credit, import letter of credit and import documentary credit/ import paying service, once one of the following situations occurs, Party B shall have the non-defense pledge guarantee obligation, Party B shall not put forward exemption or counterargument because any judicial authority or administrative organization issues any payment stopping order, restraining order or adopts detaining, closing, holding in custody and other measures or similar measures;

A. The person specified or authorized by Party A has paid in accordance with the requirements of Party A;

B. Party A or the person specified or authorized by Party A has provided due payment confirmation for the goods payment under domestic letter of credit or made acceptance for documents under import letter of credit in good faith.

C. The confirming bank of letter of credit has performed the payment obligations in good faith.

D. The negotiation bank of letter of credit has performed the negotiation obligations in good faith.

9.12 Under the shipping guarantee, endorsement of bill of lading, unauthorized withdrawal, Party B shall not put forward exemption or counterargument because the borrower refuses to pay the funds under letter of credit.

#### **Article X Promise of Party A**

Party A shall make below promises to Party B:

10.1 Party A shall keep secret for all related documents, financial data and other relative but undisclosed information provided by Party B under the duty of Contract, but shall exclude the additional rules of the laws and regulations.

10.2 Keep pledged properties properly.

10.3 The remaining from dispose of the pledged property income after paying off all the debt within the scope of the pledged collateral, Party A shall return the remaining part to Party B in time.

10.4 Debtor shall pay off all debts in terms of the Main Contract, or Party B shall pay for Party A all claims under the provisions of the Main Contract, Party A shall return the pledged property and its ownership certificate, invoices, other related information or the Pledgor right certificate to Party B in time.

#### **Article XI Breach of contract**

11.1 Either Party fails to perform any of the obligations, or breach any statements, guarantees and promises under this Contract since the Contract becoming effective, then such Party shall be in breach of the Contract. It shall compensate for the other Party if caused lost.

11.2 Except the contract specially specified, either Party breaches the contract, the other Party shall have the right to adopt any other measures in the laws and regulations of PRC.

#### **Article XII Validity, amendment and termination**

12.1 This Contract shall come into effect since the date when it is signed by both Parties, and shall be terminated till the date of Party A's debts fully paid off under the Main Contract.

12.2 Any changes in this Contract shall be in written form after negotiating by both parties. The amendments or agreements shall be a part of the Contract, have the equal legal effect to the Contract. The other parts shall be still valid except the changing part; the original articles are still effective before the amendments become effective.

12.3 Any invalid or unenforceable articles under this Contract shall not influence the other articles' validity and enforceability, nor influence the validity of the entire Contract.

12.4 The Contract's amendment and termination shall not affect the right of each Party to claim damages. Termination of the Contract shall not influence the contractual provisions relating to the effectiveness of dispute resolution.

### Article XIII Settlement of disputes

The conclusion of this Contract, effectiveness, interpretation, implementation and settlement of dispute shall be governed by the laws of the People's Republic of China. In the event of any dispute and controversy arising out of or relating to this Contract, the Parties shall resolve through consultations; if can not be resolved by consultation, then shall be settled according to the below method B:

A. The dispute shall be submitted to \_\_\_\_\_ Arbitration Commission, in accordance with its effective arbitration rules in the time of submitting arbitration application, for arbitration at \_\_\_\_\_ (arbitration place). The arbitration award shall be final and binding on the Parties.

B. The dispute shall be solved through litigation at Party A's local court.

### Article XIV Others

14.1 Party B shall not transfer the entire or partial rights or duties under this Contract without Party A's agreement in written form.

**14.2 Before confirming the creditor's rights of maximum amount pledge, Party A can transfer the pledge right of the maximum amount together if transfer the partial creditor's rights.**

14.3 Party A fails or delays to exercise a right under this Contract, shall not operate as a waiver or change thereof, nor shall preclude any other future exercise thereof.

14.4 According to rules of the relative laws and regulations or other normative documents or the request of financial regulators, Party A shall have right to provide the relative information of the Contract and other related information to the People's Bank of China Credit Information Basic Database or other legal setting up credit database, for organizations or individuals with appropriate qualifications to query and use. Party A shall also have the right to query Party B's related information through the People's Bank of China Credit Information Basic Database or other legal setting up credit database for the purpose of the Contract's conclusion and implementation.

14.5 This Contract is executed in two originals, each Party and \_\_\_\_\_ has one original, shall be equally authentic.

### Article XV Other items agreed by the Both Parties

15.1 \_\_\_\_\_

15.2 \_\_\_\_\_

Appendix: *Pledge Objects List*

Party A (Seal): Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch (Sealed)

Authorized Representative: 

Party B: Dongguan Lite Array Co., Ltd. (Sealed)

Legal Representative (Authorized Representative): John C.K. Sham 

Common Owners of Pledge Objects: \_\_\_\_\_

Date of Signature: April 27, 2012

Appendix:

### Pledge Objects List

<u>Name</u>	<u>Ownership Certificate or Document of Title</u>	<u>Condition</u>	<u>Value or Estimated Value</u>	<u>Others</u>
Fixed Deposit Receipt of Organization	YUE B00004116	In good condition	RMB 9,100,000.00 YUAN	

Pledgor: John C.K. Sham



Common Owners of Pledge Objects (if any): Dongguan Lite Array Co., Ltd. (Sealed)

Pledgee:



Industrial & Commercial Bank of China Co., Ltd., Dongguan Qingxi Branch (Sealed)

ABC (2009) 5128 – 1

**Import Paying Service Financing Contract**



Agricultural Bank of China

## Import Paying Service Financing Contract

44061020120000362  
(—) NHDFZ (—) No. \_\_\_\_

Dear customers,

**To safeguard your rights and interests, please read this Contract terms carefully before signing this Contract (especially for boldface letters), pay close attention to your rights and obligations. If you have any question, please consult with the responsible bank.**

Party A (full name): Dongguan Lite Array Co., Ltd.

Party B (full name): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan

Due to business requirements, Party A applies for import payment service financing to Party B, Party B agrees to accept it, to guarantee that the business is proceeding smoothly, the Both Parties shall develop this Contract through consultation in accordance with relevant national laws and regulations.

Article . Import paying service financing in this Contract is that Party B as well as its paying agent provides a kind of short-term financing under import trade items for Party A. In accordance with the application of Party A, Party B shall choose a paying agent and issue command to the paying agent, the paying agent shall pay for the goods on behalf of Party A, on the agreed financing due date, Party A shall return the principal and interest for financing to Party B, and Party B shall return it back to the paying agent.

Article . Content of import paying service financing

**1. The term, currency, amount, interest rate of import paying service financing shall be subject to the records in the *Import Paying Service Financing Notice*. Party A hereby shall agree that Party B has the rights to determine a reasonable rate and penalty in accordance with Party A's relevant regulations, internal rules as well as the agreement Party A and the paying agent, and shall agree that the interest rate regulated in the *Import Paying Service Financing Notice* is appropriate for the financing under this Contract.**

2. Party B or its higher bank shall issue the payment indication to make external payments in accordance with the payment date and remittance method designated by Party A as well as international common practice. In case the payment date designated by Party A is not a working day for bank at home / abroad, or payment may not be performed on the payment date designated by Party A due to force majeure, the payment may be postponed, Party B shall not undertake any responsibility for this.

Article □. In case the following conditions are not satisfied, Party B shall have the rights to refuse to provide the financing under this Contract.

1. Party A creates general account at the site of Party B (hereinafter referred to as “Party A Account”).
2. The competent authority of Party A applies for the loading certificate materials and under this Contract as well as the Letter of Attorney which is used for authorizing someone to sign.
3. When handling the single business, Party A has already provided *Import Paying Service Financing Application* and other relevant materials requested by Party B, which has been accepted by Party B.
4. Party A has provided the Letter of Credit, relevant documents about collection and remittance in accordance with the requirements of Party B, and handled approval, registration and other procedures about the financing under this Contract.
5. In case the guarantee is set for the financing under this Contract, it shall guarantee that the Contract is signed and effective. In case the mortgage and pledge guarantee is set for the financing under this Contract, relevant mortgage and pledge contracts shall be signed and effective, mortgage and pledge registration procedures shall be handled in accordance with relevant laws and regulations as well as the requirements of Party B, also, all insurances shall be bought for relevant mortgage and pledge in accordance with relevant laws and regulations for mortgage and pledge as well as the requirements of Party B, and the guarantee and insurances shall be effective continuously.

Article □. Repayment source and repayment method

1. Payment for imported goods under this Contract shall be firstly used to pay off the principal and interest for financing and relevant expenses under this Contract. In case the payment for goods may not enough for paying off, Party A shall collect funds separately to pay it off on schedule.
2. In case Party B collects in accordance with this Contract or collects the principal and interest for financing in advance due to the change of national policy, law, credit policy and so on, Party A shall agree Party B to deduct it from Party A Account, if necessary, Party B shall apply for other financing organizations to collect it.

Article □. Rights and obligations of Party A

1. Shall have the rights to apply for and use import paying service financing funds.
2. Shall handle the law and administrative procedures for performing this Contract.
3. Shall provide import contract as well as goods sales conditions and other related materials under import paying service financing in accordance with the requirements of Party B.
4. RMB and foreign currency settlement business under import paying service financing shall be handled through the account created by Party A at the site of Party B.
5. From placing order to payment / acceptance date under Letter of Credit, in case Party A doesn't provide import paying service financing procedures to Party B, it shall not affect the obligation that Party A makes payment / acceptance and pays off funds paid by Party B in advance.
6. When Party A learns about that the following events occur or the following events may occur, Party A shall inform Party B in written after learning about it and put the debt guarantee recognized by Party B into practice:
  - (1) Stock rights change, high layer personnel change, memorandum of association change and organization structure regulation.

- (2) Stop production, out of business, cancellation of registration, cancellation of license or petition for bankruptcy.
- (3) Financial situation deterioration, serious difficulties in production and business or major lawsuit, arbitration events.
- (4) Change name, address, legal representative, contact method and other items.
- (5) Other items which may have an adverse effect on the creditor's rights of Party B.

7. In case Party A performs the following behaviors, it shall be agreed by Party B and shall provide the guarantee measures recognized by Party B for paying off loading principal and interest under this Contract.

(1) Performing contracting, leasing, joint stock system change, joint operation, merging, acquisition, separation, joint venture, asset transferring, reducing registered capital, filing for termination of business and making adjustment, filing for dismissing, petition for bankruptcy and other behaviors which cause credit and debt relationship change in this Contract or affect the realization of creditor's rights;

(2) Providing the guarantee for others debt or mortgage and pledge for the main property of the third party, as well as the behaviors which may affect the others' debt paying ability.

8. Party A or its investors shall not reduce the registered capital, transfer assets or transfer shares without the approval from Party B, which may cause the loss or weakening of ability that Party B performing obligations.

9. In case the following events occur for the guarantor who provides the guarantee to financing under this Contract has: stop production, out of business, cancellation of registration, cancellation of license, petition for bankruptcy, operating loss and so on, partially or fully losing guarantee ability under this Contract, or the guaranty, mortgage, pledge rights value losing, Party A shall provide other guarantee measures recognized by Party B.

10. In case it is import paying service financing business under letter of credit, Party A shall promise and agree that the guarantee money under original letter of credit is transferred as the guarantee money under the financing item in this Contract.

11. Import paying service financing procedures and other bank expenses shall be undertaken by Party A. Party A shall settle such expenses to the account designated by Party B.

12. Party A shall not sign any contract which damages the creditor's rights of Party B under this Contract with the third party.

**13. Any business dispute, trade fraud, stop-payment order from court under import paying service item shall not change or cancel the responsibility and promise of Party A for Party B.**

#### Article . Rights and obligations of Party B

1. In case Party B shall agree to handle import paying service financing, it shall contact the paying agent to handle import paying service financing for Party A in time. In case the import paying service financing can't be handled due to the paying agent doesn't accept or other objective reason, Party B shall not undertake any responsibility, but shall inform Party A in time.

2. Party B shall have the rights to learn about the production business, financial activities, import paying service financing funds usage conditions, and shall have the rights to ask Party A to provide financial statement as well as other documents, materials and information on schedule.

3. In case Party A has any adverse behaviors or conditions which may affect import paying service financing safety, including but not limited to item 6, 7 and 8 listed in Article V, or the original letter of credit is frozen, Party B shall have the rights to inform the paying service to stop paying funds or collect the principal and interest for import paying service financing in advance.

4. When Party B collects the principal, interest, fine under this Contract in advance, and collects the relevant expenses under this Contract, Party B shall have the rights to directly deduct it from the any account of Party A, the offset debt and offset sequence shall be determined by Party B. **In case Party B performs the offset rights in accordance with laws or the agreements in the Contract, the objection period for Party A shall be 7 working days which is calculated from the date when Party B informs Party A in written, orally or other methods.**

**5. In case there are several matured debts between Party A and Party B, and the repayment of Party A can't pay off all matured debts, the debt repayment offset and offset sequence of Party A shall be determined by Party B.**

In case the repayment of Party A can't pay off debts, Party B may choose to make the repayment pay off the principal, interest, fine, compound interest or expenses to realize the creditor's rights.

6. In case Party A can't pay off the principal for import paying service financing on time, or clears and recovers financing or the principal for agency in advance, Party B shall have the rights to adopt one several method(s) to realize the creditor's rights, such as handling the goods under import paying service funds, handling the guaranty or pledge thing legally, pursuing the recovery from the guarantor or directly pursuing the recovery from Party A.

7. In case Party A doesn't perform the repayment obligation, Party B shall make public disclosure for the default behaviors.

#### Article . Guarantee

The guarantee method of creditor's rights for this Contract shall be mortgage by estimating, the guarantee contract shall be signed separately. In case the top amount guarantee method is adopted, the guarantee contract number shall be 44100720120000298.

#### Article . Responsibility of breach of contract

1. For overdue financing funds in arrears of Party A, since the overdue date, Party B shall collect overdue interest at additional FIFTY percent (capital letter) based on the original interest rate agreed in the *Import Paying Service Financing Notice*, till the principal and interest is paid off.

2. In case Party B asks Party A to repay the principal and interest in advance, Party A can't pay off the principal and interest for import paying service financing on the designated date, since the accelerated overdue date designated by Party B, Party B shall collect overdue interest in accordance with the overdue interest rate.

3. In case Party A violates the agreement causing that Party B pays for him in advance, Party B shall collect the interest for advance in cash in accordance with the agreement in item 1 of this article.

4. In case Party A violates the obligations and promises in this Contract, Party B shall have the rights to refuse accepting the import paying service financing application of Party A, shall have the rights to ask Party A to correct the default behaviors in the limit time, and shall have the rights to ask the paying agent to stop paying for funds, or collect the principal and interest for financing, shall have the rights to announce that the debts under other contracts signed by Party A and Party B shall be expired at once or adopt other assets guarantee measures.

5. In case any guarantor for financing under this Contract violates the obligations in the guarantee contract, Party B shall have the rights to stop issuing financing funds for Party A, and collect the issued financing funds or adopt other assets guarantee measures.

6. In case Party B adopts lawsuit or arbitration methods to realize the creditor's rights due to the default of Party A, Party A shall undertake the retaining fee, travel fee and other fees for realizing the creditor's rights.

Article □. In case Party A puts forwards to repaying in advance, Party B shall negotiate with the agent bank, the procedures for repaying in advance shall be handled after getting approval, and Party A shall undertake the expense and interest caused by this. In case the paying agent doesn't agree to repay in advance, Party A shall pay for the principal and interest for import paying service financing on schedule in accordance with the agreement in the Contract.

Article □. Settlement of dispute

All disputes between the Both Parties arising from this Contract shall be resolved by the Both Parties through consultation or the first kind of method.

1. Lawsuit. It shall be managed by the people's court at the site of Party B.

2. Arbitration. Submit to \_\_\_\_\_/\_\_\_\_\_ (full name of the arbitration organization) for arbitration in accordance with its arbitration rules.

During the course of lawsuit or arbitration, the terms not involved with any dispute in this Contract shall still be performed.

Article XI. Other items

1. *Import Paying Service Financing Application* and *Import Paying Service Financing Notice* related to this Contract shall be an integral part of this Contract.

When the stock rights of Party A changes, Party A shall inform Party B within 5 days, otherwise, Party A shall undertake default responsibility in accordance with the regulations in the Contract.

Article XII. Effectiveness of the Contract

This Contract shall become effective on signature or seal of the Both Parties.

Article XIII. This Contract shall be in triplicate. Party A, Party B and the guarantor shall hold one original copy with the same legal effectiveness.

Party A statement: Party B has provided relevant articles to us (especially for boldface letters) and made descriptions for relevant concepts, contents and law effects in accordance with our requirements, we have learned and understood above articles.

Party A (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Party B (Seal): Agricultural Bank of China Limited Liability Company, Qingxi Sub-branch in Dongguan (Sealed)

Legal Representative or Authorized

Responsible Person or Authorized

Representative : Shen Shu Ain 

Representative 

Date of Contract: May 23, 2012

Location of Contract: Qingxi

The Contract Filled by: 

The Contract Reviewed by: 

The Contract witnessed by: 

ABC (2009) 3048 – 1

**Import Paying Service Financing Contract**



Agricultural Bank of China

**Import Paying Service Financing Contract**

44061020120000389  
(—) NHDFZ (—) No. \_\_\_\_\_

**Dear customers,**

**To safeguard your rights and interests, please read this Contract terms carefully before signing this Contract (especially for boldface letters), pay close attention to your rights and obligations. If you have any question, please consult with the responsible bank.**

Party A (full name): Dongguan Lite Array Co., Ltd.

Party B (full name): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan

Due to business requirements, Party A applies for import payment service financing to Party B, Party B agrees to accept it, to guarantee that the business is proceeding smoothly, the Both Parties shall develop this Contract through consultation in accordance with relevant national laws and regulations.

Article . Import paying service financing in this Contract is that Party B as well as its paying agent provides a kind of short-term financing under import trade items for Party A. In accordance with the application of Party A, Party B shall choose a paying agent and issue command to the paying agent, the paying agent shall pay for the goods on behalf of Party A, on the agreed financing due date, Party A shall return the principal and interest for financing to Party B, and Party B shall return it back to the paying agent.

Article . Content of import paying service financing

**1. The term, currency, amount, interest rate of import paying service financing shall be subject to the records in the *Import Paying Service Financing Notice*. Party A hereby shall agree that Party B has the rights to determine a reasonable rate and penalty in accordance with Party A's relevant regulations, internal rules as well as the agreement Party A and the paying agent, and shall agree that the interest rate regulated in the *Import Paying Service Financing Notice* is appropriate for the financing under this Contract.**

2. Party B or its higher bank shall issue the payment indication to make external payments in accordance with the payment date and remittance method designated by Party A as well as international common practice. In case the payment date designated by Party A is not a working day for bank at home / abroad, or payment may not be performed on the payment date designated by Party A due to force majeure, the payment may be postponed, Party B shall not undertake any responsibility for this.

Article □. In case the following conditions are not satisfied, Party B shall have the rights to refuse to provide the financing under this Contract.

1. Party A creates general account at the site of Party B (hereinafter referred to as “Party A Account”).
2. The competent authority of Party A applies for the loading certificate materials and under this Contract as well as the Letter of Attorney which is used for authorizing someone to sign.
3. When handling the single business, Party A has already provided *Import Paying Service Financing Application* and other relevant materials requested by Party B, which has been accepted by Party B.
4. Party A has provided the Letter of Credit, relevant documents about collection and remittance in accordance with the requirements of Party B, and handled approval, registration and other procedures about the financing under this Contract.
5. In case the guarantee is set for the financing under this Contract, it shall guarantee that the Contract is signed and effective. In case the mortgage and pledge guarantee is set for the financing under this Contract, relevant mortgage and pledge contracts shall be signed and effective, mortgage and pledge registration procedures shall be handled in accordance with relevant laws and regulations as well as the requirements of Party B, also, all insurances shall be bought for relevant mortgage and pledge in accordance with relevant laws and regulations for mortgage and pledge as well as the requirements of Party B, and the guarantee and insurances shall be effective continuously.

Article □. Repayment source and repayment method

1. Payment for imported goods under this Contract shall be firstly used to pay off the principal and interest for financing and relevant expenses under this Contract. In case the payment for goods may not enough for paying off, Party A shall collect funds separately to pay it off on schedule.
2. In case Party B collects in accordance with this Contract or collects the principal and interest for financing in advance due to the change of national policy, law, credit policy and so on, Party A shall agree Party B to deduct it from Party A Account, if necessary, Party B shall apply for other financing organizations to collect it.

Article □. Rights and obligations of Party A

1. Shall have the rights to apply for and use import paying service financing funds.
2. Shall handle the law and administrative procedures for performing this Contract.
3. Shall provide import contract as well as goods sales conditions and other related materials under import paying service financing in accordance with the requirements of Party B.
4. RMB and foreign currency settlement business under import paying service financing shall be handled through the account created by Party A at the site of Party B.
5. From placing order to payment / acceptance date under Letter of Credit, in case Party A doesn't provide import paying service financing procedures to Party B, it shall not affect the obligation that Party A makes payment / acceptance and pays off funds paid by Party B in advance.
6. When Party A learns about that the following events occur or the following events may occur, Party A shall inform Party B in written after learning about it and put the debt guarantee recognized by Party B into practice:
  - (1) Stock rights change, high layer personnel change, memorandum of association change and organization structure regulation.

- (2) Stop production, out of business, cancellation of registration, cancellation of license or petition for bankruptcy.
- (3) Financial situation deterioration, serious difficulties in production and business or major lawsuit, arbitration events.
- (4) Change name, address, legal representative, contact method and other items.
- (5) Other items which may have an adverse effect on the creditor's rights of Party B.

7. In case Party A performs the following behaviors, it shall be agreed by Party B and shall provide the guarantee measures recognized by Party B for paying off loading principal and interest under this Contract.

(1) Performing contracting, leasing, joint stock system change, joint operation, merging, acquisition, separation, joint venture, asset transferring, reducing registered capital, filing for termination of business and making adjustment, filing for dismissing, petition for bankruptcy and other behaviors which cause credit and debt relationship change in this Contract or affect the realization of creditor's rights;

(2) Providing the guarantee for others debt or mortgage and pledge for the main property of the third party, as well as the behaviors which may affect the others' debt paying ability.

8. Party A or its investors shall not reduce the registered capital, transfer assets or transfer shares without the approval from Party B, which may cause the loss or weakening of ability that Party B performing obligations.

9. In case the following events occur for the guarantor who provides the guarantee to financing under this Contract has: stop production, out of business, cancellation of registration, cancellation of license, petition for bankruptcy, operating loss and so on, partially or fully losing guarantee ability under this Contract, or the guaranty, mortgage, pledge rights value losing, Party A shall provide other guarantee measures recognized by Party B.

10. In case it is import paying service financing business under letter of credit, Party A shall promise and agree that the guarantee money under original letter of credit is transferred as the guarantee money under the financing item in this Contract.

11. Import paying service financing procedures and other bank expenses shall be undertaken by Party A. Party A shall settle such expenses to the account designated by Party B.

12. Party A shall not sign any contract which damages the creditor's rights of Party B under this Contract with the third party.

**13. Any business dispute, trade fraud, stop-payment order from court under import paying service item shall not change or cancel the responsibility and promise of Party A for Party B.**

#### Article . Rights and obligations of Party B

1. In case Party B shall agree to handle import paying service financing, it shall contact the paying agent to handle import paying service financing for Party A in time. In case the import paying service financing can't be handled due to the paying agent doesn't accept or other objective reason, Party B shall not undertake any responsibility, but shall inform Party A in time.

2. Party B shall have the rights to learn about the production business, financial activities, import paying service financing funds usage conditions, and shall have the rights to ask Party A to provide financial statement as well as other documents, materials and information on schedule.

3. In case Party A has any adverse behaviors or conditions which may affect import paying service financing safety, including but not limited to item 6, 7 and 8 listed in Article V, or the original letter of credit is frozen, Party B shall have the rights to inform the paying service to stop paying funds or collect the principal and interest for import paying service financing in advance.

4. When Party B collects the principal, interest, fine under this Contract in advance, and collects the relevant expenses under this Contract, Party B shall have the rights to directly deduct it from the any account of Party A, the offset debt and offset sequence shall be determined by Party B. **In case Party B performs the offset rights in accordance with laws or the agreements in the Contract, the objection period for Party A shall be 7 working days which is calculated from the date when Party B informs Party A in written, orally or other methods.**

**5. In case there are several matured debts between Party A and Party B, and the repayment of Party A can't pay off all matured debts, the debt repayment offset and offset sequence of Party A shall be determined by Party B.**

In case the repayment of Party A can't pay off debts, Party B may choose to make the repayment pay off the principal, interest, fine, compound interest or expenses to realize the creditor's rights.

6. In case Party A can't pay off the principal for import paying service financing on time, or clears and recovers financing or the principal for agency in advance, Party B shall have the rights to adopt one several method(s) to realize the creditor's rights, such as handling the goods under import paying service funds, handling the guaranty or pledge thing legally, pursuing the recovery from the guarantor or directly pursuing the recovery from Party A.

7. In case Party A doesn't perform the repayment obligation, Party B shall make public disclosure for the default behaviors.

#### Article . Guarantee

The guarantee method of creditor's rights for this Contract shall be mortgage by estimating, the guarantee contract shall be signed separately. In case the top amount guarantee method is adopted, the guarantee contract number shall be 44100720120000298.

#### Article . Responsibility of breach of contract

1. For overdue financing funds in arrears of Party A, since the overdue date, Party B shall collect overdue interest at additional FIFTY percent (capital letter) based on the original interest rate agreed in the *Import Paying Service Financing Notice*, till the principal and interest is paid off.

2. In case Party B asks Party A to repay the principal and interest in advance, Party A can't pay off the principal and interest for import paying service financing on the designated date, since the accelerated overdue date designated by Party B, Party B shall collect overdue interest in accordance with the overdue interest rate.

3. In case Party A violates the agreement causing that Party B pays for him in advance, Party B shall collect the interest for advance in cash in accordance with the agreement in item 1 of this article.

4. In case Party A violates the obligations and promises in this Contract, Party B shall have the rights to refuse accepting the import paying service financing application of Party A, shall have the rights to ask Party A to correct the default behaviors in the limit time, and shall have the rights to ask the paying agent to stop paying for funds, or collect the principal and interest for financing, shall have the rights to announce that the debts under other contracts signed by Party A and Party B shall be expired at once or adopt other assets guarantee measures.

5. In case any guarantor for financing under this Contract violates the obligations in the guarantee contract, Party B shall have the rights to stop issuing financing funds for Party A, and collect the issued financing funds or adopt other assets guarantee measures.

6. In case Party B adopts lawsuit or arbitration methods to realize the creditor's rights due to the default of Party A, Party A shall undertake the retaining fee, travel fee and other fees for realizing the creditor's rights.

Article □. In case Party A puts forwards to repaying in advance, Party B shall negotiate with the agent bank, the procedures for repaying in advance shall be handled after getting approval, and Party A shall undertake the expense and interest caused by this. In case the paying agent doesn't agree to repay in advance, Party A shall pay for the principal and interest for import paying service financing on schedule in accordance with the agreement in the Contract.

Article □. Settlement of dispute

All disputes between the Both Parties arising from this Contract shall be resolved by the Both Parties through consultation or the first kind of method.

1. Lawsuit. It shall be managed by the people's court at the site of Party B.

2. Arbitration. Submit to \_\_\_\_\_ / \_\_\_\_\_ (full name of the arbitration organization) for arbitration in accordance with its arbitration rules.

During the course of lawsuit or arbitration, the terms not involved with any dispute in this Contract shall still be performed.

Article XI. Other items

1. *Import Paying Service Financing Application* and *Import Paying Service Financing Notice* related to this Contract shall be an integral part of this Contract.

When the stock rights of Party A changes, Party A shall inform Party B within 5 days, otherwise, Party A shall undertake default responsibility in accordance with the regulations in the Contract.

Article XII. Effectiveness of the Contract

This Contract shall become effective on signature or seal of the Both Parties.

Article XIII. This Contract shall be in triplicate. Party A, Party B and the guarantor shall hold one original copy with the same legal effectiveness.

Party A statement: Party B has provided relevant articles to us (especially for boldface letters) and made descriptions for relevant concepts, contents and law effects in accordance with our requirements, we have learned and understood above articles.

Party A (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Party B (Seal): Agricultural Bank of China Limited Liability Company, Qingxi Sub-branch in Dongguan (Sealed)

Legal Representative or Authorized Representative : Shen Shu Ain



Responsible Person or Authorized Representative



Date of Contract: June 1, 2012

Location of Contract: Qingxi

The Contract Filled by:  The Contract Reviewed by:

The Contract witnessed by: 

ABC (2012) 2014

**Maximum Amount Pledge Rights Contract**Contract No.: 44100720120000298**Dear customers,**

**To safeguard your rights and interests, please read this Contract terms carefully before signing this Contract (especially for boldface letters), pay close attention to your rights and obligations. If you have any question, please consult with the responsible bank.**

Pledgee (full name): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan

Pledgor (full name): (1) Dongguan Lite Array Co., Ltd.

(2) \_\_\_\_\_

(3) \_\_\_\_\_

Whereas the Pledgor is willing to offer a pledge guarantee at the maximum amount for the claims formed due to a series of business Contracts (hereinafter referred to as the "Principal Contract") concluded between the Pledgee and Dongguan Lite Array Co., Ltd. (Hereinafter referred to as the "Debtor") in accordance with Article I of the Contract. The parties, upon friendly consultation, enter into the Contract pursuant to relevant laws and regulations set forth by the State.

**Article I Principal claim guaranteed and maximum amount**

1. The Pledgor is willing to provide guarantee for the following claims formed between the Pledgee and Debtor. The maximum balance of the claims guaranteed is RMB THIRTY MILLION ONLY(capital letters). The transactions made in foreign currency shall be translated based on the selling price on the date when the transaction as agreed in Item 1 of the article occurs.
- (1) The Pledgee shall, during the period from May 23, 2012 to April 13, 2013, handle together with the Debtor the claims formed due to the agreed transactions. Such period is for determination of the claims guaranteed at maximum amount. The above transactions include: (the item being checked shall prevail)
- RMB/Foreign Currency Loans  LC Issuance Finance  Export Packing Finance
  - Business Draft Discount   Import Bill Advance  Bank Guarantee
  - Business Draft Acceptance  Export Bill Advance  Account Overdraft
  - Other transactions: Import paying service

- (2) For the principal of the claims not yet satisfied under the following Principal Contract established between the Pledgee and Debtor and the corresponding interest, default interest, compound interest and expenses etc., the interest, default interest, compound interest and expenses, in accordance with corresponding Principal Contract, shall be calculated up to the date the actual compensation is completed:

<u>Contract Name</u>	<u>Contract No.</u>	<u>Principal not yet compensated</u>	<u>Currency</u>
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(The schedule created due to insufficient columns in the above form shall be a part of the Contract)

- 2. The kind, amount, time limit and interest rate etc. of each transaction as secured under the Contract shall be subject to relevant legal documents or certificates.**
3. Within the period and maximum balance as agreed in the Contract, the Pledgee may not handle procedures for securing each transaction when issuing the loans under the Contract or providing other bank credits.
4. The Pledgor shall assume guarantee responsibilities over a transaction occurring within the period and maximum balance agreed in the Contract, without regard to the currency.

#### Article II Range of pledge guarantee

The range of pledge guarantee shall include the principal of the borrowings under the Contract and the corresponding interest, default interest, compound interest, liquidated damages, damage awards, and interest and damages incurred due to delay in performance of the debts which shall be assumed by the borrower and guarantor as stipulated in *Civil Procedure Law* as well as all expenses incurred to the lender for realizing the claims.

**For the part that exceeds the maximum balance due to change in exchange rate, the Pledgor is willing to assume guarantee responsibilities.**

#### Article III Pledge right

1. The Pledgor agrees to pledge in the form of time deposit certificate. The above pledge right is specifically listed in Right Pledge List 2012004 (list name and number). The pledge list serves as a part of the Contract and has the same legal effect with the Contract.
2. The provisional price of the above pledge right is RMB THIRTY MILLION ONLY (currency and amount in capital letters). The final value of the price shall be subject to the proceeds gained from the actual disposal of the pledge right when it is realized.

#### Article IV Commitment of Pledgor

1. The Pledgor has acquired the authorization required for the guarantee under the Contract in accordance with relevant stipulations and procedures.

2. The Pledgor has complete and undisputed rights to own or dispose of the pledge right.
3. The pledge right can be transferred according to law.
4. There shall not be application for cancellation, announcement of its invalidity, objection, sealing-up, freezing, supervision, litigation, arbitration, report for the loss and payment stoppage and other circumstances against the pledge right.
5. The Pledgor has solicited the approval of right co-owners with respect to the pledge matters under the Contract.
6. The Pledgor shall, in accordance with laws and regulations, timely pay all expenses relevant to the pledge right, perform legal obligations, extend the time limit of the right as required by the Pledgee and maintain the pledge right in force during the term of the pledge right.
7. During the term of the pledge right , if any of the following circumstances occurs, the Pledgor shall immediately inform the Pledgee in writing:
  - (1) There is an application for cancellation, announcement of its invalidity, objection, sealing-up, freezing, supervision, litigation, arbitration, report for the loss and payment stoppage against the pledge right and other circumstances that affect the realization of the pledge right;
  - (2) The Pledgor is forced to cancel or revoke his business license, ordered to close down or other causes for dissolution occur;
  - (3) The Pledgor is applying for bankruptcy, reorganization and reconciliation or is forced to apply for bankruptcy and reorganization.
8. The pledge right shall be free from other circumstances that will obstruct the Pledgee in realizing his pledge right.

#### Article V Efficacy of pledge right

The efficacy of pledge right extends to the accessory right of the pledge right, fruits and properties & rights as stated by the laws and regulations.

#### Article VI Transfer and custody of right certificate

1. Where it is required to deliver the right certificate, the Pledgor shall, within one day since the date the Contract is signed, submit the relevant right certificate relevant to the pledge right under the Contract to the Pledgee. The Pledgee shall properly keep the right certificate delivered by the Pledgor.
2. Where the pledge is made in the form of draft, promissory note, check, warehouse receipt, bill of lading, bond and other right certificates that must be transferred by means of endorsement, the word of “pledge” shall be endorsed.
3. Where it is required to handle the registration for the pledge, the Pledgor shall, within \_\_\_\_/ \_\_ day since the date the Contract is signed, go to a relevant registration organization to handle the pledge registration and other legal procedures for pledge. The relevant original registration certificates shall be kept by the Pledgee. In case that the transfer of pledge or other event that needs change in registration occurs, the Pledgor shall assist the Pledgee in handling corresponding procedures for changing the registration.
4. **During the term of the pledge right, the Pledgor, without consent from the Pledgee, shall not give, transfer and license the pledge right to others or dispose of it in any other forms.** If the Pledgor, with the written consent from the Pledgee, transfers and licenses the pledge right to others or disposes of it in other forms, the Pledgor shall use the proceeds gained herein to pay off the debts to the Pledgee in advance or place the proceeds in custody.

5. During the term of the pledge right, in case of reduction in its value, the Pledgee is entitled to demand the Pledgor to provide a guarantee equivalent to the part of value reduced as approved by the Pledgee.

#### Article VII Transfer of pledge right

1. **In case that the Pledgee, prior to the confirmation of the claims secured at the maximum amount under the Contract, transfers part of the claims, the Pledgee is also entitled to transfer the corresponding pledge right.**
2. **In case that the Pledgee, after the confirmation of the claims secured at the maximum amount under the Contract, transfers part of the claims, the Pledgee is entitled not to transfer the corresponding pledge right.**

#### Article VIII Confirmation of claims guaranteed

In any of the following circumstances, the claims secured at the maximum amount under the Contract shall be confirmed:

1. The term of claims expires. "Term expiration" includes the circumstance where the period for confirmation of the claims as agreed in Article I of the Contract expires, and the circumstance where the Pledgee announces that, pursuant to the laws and regulations set forth by the State or the Contract, the period for confirmation of the claims expires in advance. **Where the Debtor violates the obligations under the Principal Contract or the Pledgor violates its obligations under the Contract, the Pledgee is entitled to announce a prior expiration of the period for confirmation of the claims.**
2. It is impossible to generate new claims.
3. The pledge right is sealed up and frozen.
4. The Debtor and the Pledgor are announced bankrupt or are revoked.
5. Other circumstances as stipulated by the laws with respect to the determination of claims.

#### Article IX Realization of pledge right

1. In any of the following circumstances, the Pledgee is entitled to exercise the pledge right. **The Pledgee can directly negotiate or realize the pledge right , or convert the pledge right into money or have priority in satisfying his claims from the proceeds of auction or sale of the pledge right upon consultation with the Pledgor. If the proceeds are not enough to pay off the claims secured under the Contract, the Pledgee is entitled to select the use of the amount for repaying principal, interest, default interest, compound interest or expenses etc.**
  - (1) After the term for performance of any of the debts under the Principal Contract expires, the Pledgee is not paid off. "Term expiration" includes the circumstance where the period for performance of the debts as agreed under Principal Contract expires, and the circumstance where the Pledgee announces that, pursuant to the laws and regulations set forth by the State or the Principal Contract, the period for claims under the Principal Contract expire in advance;
  - (2) The Debtor and the Pledgor are forced to cancel or revoke their respective business license, ordered to close down or other causes for dissolution occur;

- (3) A people's court accepts and listens the bankruptcy application by the Debtor and Pledgor or decides reconciliation;
  - (4) The Debtor and the Pledgor decease, are announced to be disappearing or dead;
  - (5) The pledge right is applied for being cancelled, announcement of its invalidity, objected, litigated, arbitrated, sealed up, frozen, supervised or other mandatory measures are taken against it;
  - (6) The Pledgor fails to offer corresponding guarantee as required by the Pledgee;
  - (7) The Pledgor breaches the obligations under the Contract;
  - (8) Other situations that severely affect the realization of the pledge right.
2. In case that the date for realizing the draft, promissory note, check, warehouse receipt and bill of lading or picking up the pledge expire prior to the claims under the Principal Contract, the Pledgee is entitled to realize them or pick up the pledge, and use the proceeds gained from herein to clear off debts in advance or place them in custody.
  3. **If the claims guaranteed in the Contract involve both real guarantee (including that provided by Debtor or a third party) and surety guarantee, the Pledgee can realize the claims against real guarantee or demand the surety to assume guarantee responsibilities. If the claims guaranteed under the Contract involve two or more real guarantees (including that provided by the Debtor), the Pledgee has right to exercise its pledge right against any or all of the hypothecated assets. In case the Pledgee has chosen one guarantee method/ hypothecated assets to realize claims, the Pledgee can also realize part or all of the claims through other guarantee methods/ hypothecated assets.**
  4. **If the Pledgor is a third party other than the Debtor and the Debtor provides real guarantee for the claims under the Principal Contract, where the Pledgee gives up the real right of pledge and the sequence of the real right of pledge or changes the real right of pledge, the Pledgor agrees to continue to provide pledge against the claims under the Principal Contract as agreed in the Contract. Such "real right of pledge" refers to the real right of pledge formed due to the pledge of the guaranteed assets provided for the claims under the Principal Contract.**
  5. **Where the Pledgor provides guarantee for debts between the Debtor and the Pledgee (including but not limited to several debts under the Contract) through the pledge right under the Contract, and the proceeds gained from converting the pledge right into money or auction and sale of it are not enough to pay off all due debts, the debts to be cleared off and order of offset shall be decided by the Pledgee.**

#### Article X Return of right certificate

1. Where the Debtor has performed all obligations under the Principal Contract, or the Pledgor has cleared off all claims guaranteed under the Principal Contract, the Pledgee shall timely return the right certificate to the Pledgor.
2. The Pledgor shall timely receive the right certificate with respect to the pledge. In case that the Pledgor rejects to receive it, the Pledgor is entitled to place it in custody at the expense of the Pledgor.

#### Article XI Default responsibilities

1. In case that the Pledgor is in any of the following behaviors, the Pledgor shall pay liquidated damages at 5% of the maximum balance regarding the claims guaranteed under the Contract to the Pledgee; if losses are caused to the Pledgee herein, the Pledgor shall also make a full compensation:

- (1) The Pledgor has not acquired the legal authorization required for the pledge under the Contract;
- (2) The Pledgor has not let the Pledgee be informed in faith of the circumstances in which the pledge right is co-owned, disputed or applied to be revoked and announced its invalidity, objected, sealed up, frozen, supervised, litigated, arbitrated, reported for loss and stopped for payment etc;
- (3) The Pledgor fails to submit the right certificate and handle procedures for endorsing or registering the pledge as agreed in the Contract;
- (4) The Pledgor, without written consent from the Pledgee, disposes of the pledge right at its own discretion;
- (5) The Pledgor fails to provide corresponding guarantee as required by the Pledgee;
- (6) Other acts that breach the Contract or affect the Pledgee in realizing the pledge right.

2. In case that the right certificate is damaged or lost due to improper custody by the Pledgee, and damages and losses are caused to the Pledgor herein, the Pledgee shall assume corresponding liabilities for compensation.

#### Article XII Expenses bearing

The bearing of the expenses to be paid to the third party by both parties for performing the Contract shall be determined by both parties through negotiation. If it fails to negotiate or no results are made through negotiation, both parties shall assume the expenses according to laws and regulations.

The laws and regulations referred to under the Contract include the laws, administrative regulations, local regulations, rules, judicial interpretation and other stipulations of the People's Republic of China with legal effect.

#### Article XIII Period for raising an objection to the right of cancellation

**In the event that the Pledgee exercises the right of cancellation according to law, regulations or Contractual agreements, the period for the Pledgor to raise objections is seven working days since the date when the Pledgee notify the Pledgor in oral, writing or other forms.**

#### Article XIV Dispute resolution

If any dispute occurs due to the performance of the Contract, it can be resolved by the parties through negotiation, or by the first method as the following:

1. Litigation. The people's court where the Pledgee is located has the final jurisdiction.
2. Arbitration. The dispute can be submitted to \_\_\_\_\_ / \_\_\_\_\_ (full name of an arbitrary organization) for arbitration according to its arbitration rules.

3. During the period of litigation or arbitration, the articles not involved in the dispute under the Contract shall be continuously performed.

Article XV Miscellaneous

**1. The Pledgor shall initiatively know about the operation state of the Debtor and how the transactions under the Contract are incurred and performed. The Principal Contract and relevant legal documents or certificates with respect to the transactions under the Contract shall not be sent to the Pledgor again.**

Article XVI Validation of the Contract

The Contract shall take into effect since the date when the parties sign or affix their seals on it.

Article XVII The Contract is in triplicate, each for the Pledgee, the Pledgor and the Debtor, with the same legal effect.

**The Pledgor declares: The Pledgee has prompted relevant articles (especially those in boldface) to us and made explanations, as required by us, for the concepts, contents and legal effect of relevant articles, we have got known about and understood the above articles.**

Pledgee (Seal): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan (Sealed)

Responsible Person or

Authorized Representative

Pledgor (Seal)

Dongguan Lite Array Co., Ltd. (Sealed)

Legal representative or

Authorized Representative: Shen Shu Ain

Pledgor (Seal)

Legal Representative or

Authorized Representative

Pledgor (Seal)

Legal Representative or

Authorized Representative

Date of Contract: May 23, 2012

Location of Contract: Qingxi

The Debtor declares: **I have received the above the *Maximum Amount Pledge Rights Contract* and have no objections to all the articles in it.**

Debtor (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Legal Representative or

Authorized Representative: Shen Shu Ain

Date of Signature: May 23, 2012

The Contract Filled by:

The Contract Reviewed by:

The Contract witnessed by:

ABC (2009) 3048 – 1

**Import Paying Service Financing Contract**



Agricultural Bank of China

## Import Paying Service Financing Contract

44061020120000744  
(—) NHDFZ (—) No. \_\_\_\_

Dear customers,

**To safeguard your rights and interests, please read this Contract terms carefully before signing this Contract (especially for boldface letters), pay close attention to your rights and obligations. If you have any question, please consult with the responsible bank.**

Party A (full name): Dongguan Lite Array Co., Ltd.

Party B (full name): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan

Due to business requirements, Party A applies for import payment service financing to Party B, Party B agrees to accept it, to guarantee that the business is proceeding smoothly, the Both Parties shall develop this Contract through consultation in accordance with relevant national laws and regulations.

Article □. Import paying service financing in this Contract is that Party B as well as its paying agent provides a kind of short-term financing under import trade items for Party A. In accordance with the application of Party A, Party B shall choose a paying agent and issue command to the paying agent, the paying agent shall pay for the goods on behalf of Party A, on the agreed financing due date, Party A shall return the principal and interest for financing to Party B, and Party B shall return it back to the paying agent.

Article □. Content of import paying service financing

**1. The term, currency, amount, interest rate of import paying service financing shall be subject to the records in the *Import Paying Service Financing Notice*. Party A hereby shall agree that Party B has the rights to determine a reasonable rate and penalty in accordance with Party A's relevant regulations, internal rules as well as the agreement Party A and the paying agent, and shall agree that the interest rate regulated in the *Import Paying Service Financing Notice* is appropriate for the financing under this Contract.**

2. Party B or its higher bank shall issue the payment indication to make external payments in accordance with the payment date and remittance method designated by Party A as well as international common practice. In case the payment date designated by Party A is not a working day for bank at home / abroad, or payment may not be performed on the payment date designated by Party A due to force majeure, the payment may be postponed, Party B shall not undertake any responsibility for this.

Article □. In case the following conditions are not satisfied, Party B shall have the rights to refuse to provide the financing under this Contract.

1. Party A creates general account at the site of Party B (hereinafter referred to as “Party A Account”).
2. The competent authority of Party A applies for the loading certificate materials and under this Contract as well as the Letter of Attorney which is used for authorizing someone to sign.
3. When handling the single business, Party A has already provided *Import Paying Service Financing Application* and other relevant materials requested by Party B, which has been accepted by Party B.
4. Party A has provided the Letter of Credit, relevant documents about collection and remittance in accordance with the requirements of Party B, and handled approval, registration and other procedures about the financing under this Contract.
5. In case the guarantee is set for the financing under this Contract, it shall guarantee that the Contract is signed and effective. In case the mortgage and pledge guarantee is set for the financing under this Contract, relevant mortgage and pledge contracts shall be signed and effective, mortgage and pledge registration procedures shall be handled in accordance with relevant laws and regulations as well as the requirements of Party B, also, all insurances shall be bought for relevant mortgage and pledge in accordance with relevant laws and regulations for mortgage and pledge as well as the requirements of Party B, and the guarantee and insurances shall be effective continuously.

Article □. Repayment source and repayment method

1. Payment for imported goods under this Contract shall be firstly used to pay off the principal and interest for financing and relevant expenses under this Contract. In case the payment for goods may not enough for paying off, Party A shall collect funds separately to pay it off on schedule.
2. In case Party B collects in accordance with this Contract or collects the principal and interest for financing in advance due to the change of national policy, law, credit policy and so on, Party A shall agree Party B to deduct it from Party A Account, if necessary, Party B shall apply for other financing organizations to collect it.

Article □. Rights and obligations of Party A

1. Shall have the rights to apply for and use import paying service financing funds.
2. Shall handle the law and administrative procedures for performing this Contract.
3. Shall provide import contract as well as goods sales conditions and other related materials under import paying service financing in accordance with the requirements of Party B.
4. RMB and foreign currency settlement business under import paying service financing shall be handled through the account created by Party A at the site of Party B.
5. From placing order to payment / acceptance date under Letter of Credit, in case Party A doesn't provide import paying service financing procedures to Party B, it shall not affect the obligation that Party A makes payment / acceptance and pays off funds paid by Party B in advance.
6. When Party A learns about that the following events occur or the following events may occur, Party A shall inform Party B in written after learning about it and put the debt guarantee recognized by Party B into practice:
  - (1) Stock rights change, high layer personnel change, memorandum of association change and organization structure regulation.

- (2) Stop production, out of business, cancellation of registration, cancellation of license or petition for bankruptcy.
- (3) Financial situation deterioration, serious difficulties in production and business or major lawsuit, arbitration events.
- (4) Change name, address, legal representative, contact method and other items.
- (5) Other items which may have an adverse effect on the creditor's rights of Party B.

7. In case Party A performs the following behaviors, it shall be agreed by Party B and shall provide the guarantee measures recognized by Party B for paying off loading principal and interest under this Contract.

(1) Performing contracting, leasing, joint stock system change, joint operation, merging, acquisition, separation, joint venture, asset transferring, reducing registered capital, filing for termination of business and making adjustment, filing for dismissing, petition for bankruptcy and other behaviors which cause credit and debt relationship change in this Contract or affect the realization of creditor's rights;

(2) Providing the guarantee for others debt or mortgage and pledge for the main property of the third party, as well as the behaviors which may affect the others' debt paying ability.

8. Party A or its investors shall not reduce the registered capital, transfer assets or transfer shares without the approval from Party B, which may cause the loss or weakening of ability that Party B performing obligations.

9. In case the following events occur for the guarantor who provides the guarantee to financing under this Contract has: stop production, out of business, cancellation of registration, cancellation of license, petition for bankruptcy, operating loss and so on, partially or fully losing guarantee ability under this Contract, or the guaranty, mortgage, pledge rights value losing, Party A shall provide other guarantee measures recognized by Party B.

10. In case it is import paying service financing business under letter of credit, Party A shall promise and agree that the guarantee money under original letter of credit is transferred as the guarantee money under the financing item in this Contract.

11. Import paying service financing procedures and other bank expenses shall be undertaken by Party A. Party A shall settle such expenses to the account designated by Party B.

12. Party A shall not sign any contract which damages the creditor's rights of Party B under this Contract with the third party.

**13. Any business dispute, trade fraud, stop-payment order from court under import paying service item shall not change or cancel the responsibility and promise of Party A for Party B.**

#### Article . Rights and obligations of Party B

1. In case Party B shall agree to handle import paying service financing, it shall contact the paying agent to handle import paying service financing for Party A in time. In case the import paying service financing can't be handled due to the paying agent doesn't accept or other objective reason, Party B shall not undertake any responsibility, but shall inform Party A in time.

2. Party B shall have the rights to learn about the production business, financial activities, import paying service financing funds usage conditions, and shall have the rights to ask Party A to provide financial statement as well as other documents, materials and information on schedule.

3. In case Party A has any adverse behaviors or conditions which may affect import paying service financing safety, including but not limited to item 6, 7 and 8 listed in Article V, or the original letter of credit is frozen, Party B shall have the rights to inform the paying service to stop paying funds or collect the principal and interest for import paying service financing in advance.

4. When Party B collects the principal, interest, fine under this Contract in advance, and collects the relevant expenses under this Contract, Party B shall have the rights to directly deduct it from the any account of Party A, the offset debt and offset sequence shall be determined by Party B. **In case Party B performs the offset rights in accordance with laws or the agreements in the Contract, the objection period for Party A shall be 7 working days which is calculated from the date when Party B informs Party A in written, orally or other methods.**

**5. In case there are several matured debts between Party A and Party B, and the repayment of Party A can't pay off all matured debts, the debt repayment offset and offset sequence of Party A shall be determined by Party B.**

In case the repayment of Party A can't pay off debts, Party B may choose to make the repayment pay off the principal, interest, fine, compound interest or expenses to realize the creditor's rights.

6. In case Party A can't pay off the principal for import paying service financing on time, or clears and recovers financing or the principal for agency in advance, Party B shall have the rights to adopt one several method(s) to realize the creditor's rights, such as handling the goods under import paying service funds, handling the guaranty or pledge thing legally, pursuing the recovery from the guarantor or directly pursuing the recovery from Party A.

7. In case Party A doesn't perform the repayment obligation, Party B shall make public disclosure for the default behaviors.

#### Article . Guarantee

The guarantee method of creditor's rights for this Contract shall be mortgage by estimating, the guarantee contract shall be signed separately. In case the top amount guarantee method is adopted, the guarantee contract number shall be 44100720120000298, 44100720120000817.

#### Article . Responsibility of breach of contract

1. For overdue financing funds in arrears of Party A, since the overdue date, Party B shall collect overdue interest at additional FIFTY percent (capital letter) based on the original interest rate agreed in the *Import Paying Service Financing Notice*, till the principal and interest is paid off.

2. In case Party B asks Party A to repay the principal and interest in advance, Party A can't pay off the principal and interest for import paying service financing on the designated date, since the accelerated overdue date designated by Party B, Party B shall collect overdue interest in accordance with the overdue interest rate.

3. In case Party A violates the agreement causing that Party B pays for him in advance, Party B shall collect the interest for advance in cash in accordance with the agreement in item 1 of this article.

4. In case Party A violates the obligations and promises in this Contract, Party B shall have the rights to refuse accepting the import paying service financing application of Party A, shall have the rights to ask Party A to correct the default behaviors in the limit time, and shall have the rights to ask the paying agent to stop paying for funds, or collect the principal and interest for financing, shall have the rights to announce that the debts under other contracts signed by Party A and Party B shall be expired at once or adopt other assets guarantee measures.

5. In case any guarantor for financing under this Contract violates the obligations in the guarantee contract, Party B shall have the rights to stop issuing financing funds for Party A, and collect the issued financing funds or adopt other assets guarantee measures.

6. In case Party B adopts lawsuit or arbitration methods to realize the creditor's rights due to the default of Party A, Party A shall undertake the retaining fee, travel fee and other fees for realizing the creditor's rights.

Article □. In case Party A puts forwards to repaying in advance, Party B shall negotiate with the agent bank, the procedures for repaying in advance shall be handled after getting approval, and Party A shall undertake the expense and interest caused by this. In case the paying agent doesn't agree to repay in advance, Party A shall pay for the principal and interest for import paying service financing on schedule in accordance with the agreement in the Contract.

Article □. Settlement of dispute

All disputes between the Both Parties arising from this Contract shall be resolved by the Both Parties through consultation or the first kind of method.

1. Lawsuit. It shall be managed by the people's court at the site of Party B.

2. Arbitration. Submit to \_\_\_\_\_ / \_\_\_\_\_ (full name of the arbitration organization) for arbitration in accordance with its arbitration rules.

During the course of lawsuit or arbitration, the terms not involved with any dispute in this Contract shall still be performed.

Article XI. Other items

1. *Import Paying Service Financing Application* and *Import Paying Service Financing Notice* related to this Contract shall be an integral part of this Contract.

\_\_\_\_\_ / \_\_\_\_\_

Article XII. Effectiveness of the Contract

This Contract shall become effective on signature or seal of the Both Parties.

Article XIII. This Contract shall be in triplicate. Party A, Party B and the guarantor shall hold one original copy with the same legal effectiveness.

Party A statement: Party B has provided relevant articles to us (especially for boldface letters) and made descriptions for relevant concepts, contents and law effects in accordance with our requirements, we have learned and understood above articles.

Party A (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Party B (Seal): Agricultural Bank of China Limited Liability Company, Qingxi Sub-branch in Dongguan (Sealed)

Legal Representative or Authorized

Responsible Person or Authorized Representative

Representative: Shen Shu Ain 

Date of Contract: December 21, 2012

Location of Contract: Qingxi

The Contract Filled by:    The Contract Reviewed by:  
The Contract witnessed by:

ABC (2012) 2014

Maximum Amount Pledge Rights Contract

Contract No.: 44100720120000817

Dear customers,

To safeguard your rights and interests, please read this Contract terms carefully before signing this Contract (especially for boldface letters), pay close attention to your rights and obligations. If you have any question, please consult with the responsible bank.

Pledgee (full name): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan

Pledgor (full name): (1) Dongguan Lite Array Co., Ltd.

(2) \_\_\_\_\_

(3) \_\_\_\_\_

Whereas the Pledgor is willing to offer a pledge guarantee at the maximum amount for the claims formed due to a series of business Contracts (hereinafter referred to as the "Principal Contract") concluded between the Pledgee and Dongguan Lite Array Co., Ltd. (Hereinafter referred to as the "Debtor") in accordance with Article I of the Contract. The parties, upon friendly consultation, enter into the Contract pursuant to relevant laws and regulations set forth by the State.

Article I Principal claim guaranteed and maximum amount

- 1. The Pledgor is willing to provide guarantee for the following claims formed between the Pledgee and Debtor. The maximum balance of the claims guaranteed is RMB EIGHT HUNDRED THOUSAND ONLY(capital letters). The transactions made in foreign currency shall be translated based on the selling price on the date when the transaction as agreed in Item 1 of the article occurs.
- (1) The Pledgee shall, during the period from December 20, 2012 to June 20, 2013, handle together with the Debtor the claims formed due to the agreed transactions. Such period is for determination of the claims guaranteed at maximum amount. The above transactions include: (the item being checked shall prevail)
  - RMB/Foreign Currency Loans  LC Issuance Finance  Export Packing Finance
  - Business Draft Discount  Import Bill Advance  Bank Guarantee
  - Business Draft Acceptance  Export Bill Advance  Account Overdraft
  - Other transactions: Import paying service

- (2) For the principal of the claims not yet satisfied under the following Principal Contract established between the Pledgee and Debtor and the corresponding interest, default interest, compound interest and expenses etc., the interest, default interest, compound interest and expenses, in accordance with corresponding Principal Contract, shall be calculated up to the date the actual compensation is completed:

<u>Contract Name</u>	<u>Contract No.</u>	<u>Principal not yet compensated</u>	<u>Currency</u>
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(The schedule created due to insufficient columns in the above form shall be a part of the Contract)

- 2. The kind, amount, time limit and interest rate etc. of each transaction as secured under the Contract shall be subject to relevant legal documents or certificates.**
3. Within the period and maximum balance as agreed in the Contract, the Pledgee may not handle procedures for securing each transaction when issuing the loans under the Contract or providing other bank credits.
4. The Pledgor shall assume guarantee responsibilities over a transaction occurring within the period and maximum balance agreed in the Contract, without regard to the currency.

#### Article II Range of pledge guarantee

The range of pledge guarantee shall include the principal of the borrowings under the Contract and the corresponding interest, default interest, compound interest, liquidated damages, damage awards, and interest and damages incurred due to delay in performance of the debts which shall be assumed by the borrower and guarantor as stipulated in *Civil Procedure Law* as well as all expenses incurred to the lender for realizing the claims.

**For the part that exceeds the maximum balance due to change in exchange rate, the Pledgor is willing to assume guarantee responsibilities.**

#### Article III Pledge right

1. The Pledgor agrees to pledge in the form of time deposit certificate. The above pledge right is specifically listed in Right Pledge List 2012048 (list name and number). The pledge list serves as a part of the Contract and has the same legal effect with the Contract.
2. The provisional price of the above pledge right is RMB EIGHT HUNDRED THOUSAND ONLY (currency and amount in capital letters). The final value of the price shall be subject to the proceeds gained from the actual disposal of the pledge right when it is realized.

#### Article IV Commitment of Pledgor

1. The Pledgor has acquired the authorization required for the guarantee under the Contract in accordance with relevant stipulations and procedures.

2. The Pledgor has complete and undisputed rights to own or dispose of the pledge right.
3. The pledge right can be transferred according to law.
4. There shall not be application for cancellation, announcement of its invalidity, objection, sealing-up, freezing, supervision, litigation, arbitration, report for the loss and payment stoppage and other circumstances against the pledge right.
5. The Pledgor has solicited the approval of right co-owners with respect to the pledge matters under the Contract.
6. The Pledgor shall, in accordance with laws and regulations, timely pay all expenses relevant to the pledge right, perform legal obligations, extend the time limit of the right as required by the Pledgee and maintain the pledge right in force during the term of the pledge right.
7. During the term of the pledge right , if any of the following circumstances occurs, the Pledgor shall immediately inform the Pledgee in writing:
  - (1) There is an application for cancellation, announcement of its invalidity, objection, sealing-up, freezing, supervision, litigation, arbitration, report for the loss and payment stoppage against the pledge right and other circumstances that affect the realization of the pledge right;
  - (2) The Pledgor is forced to cancel or revoke his business license, ordered to close down or other causes for dissolution occur;
  - (3) The Pledgor is applying for bankruptcy, reorganization and reconciliation or is forced to apply for bankruptcy and reorganization.
8. The pledge right shall be free from other circumstances that will obstruct the Pledgee in realizing his pledge right.

#### Article V Efficacy of pledge right

The efficacy of pledge right extends to the accessory right of the pledge right, fruits and properties & rights as stated by the laws and regulations.

#### Article VI Transfer and custody of right certificate

1. Where it is required to deliver the right certificate, the Pledgor shall, within one day since the date the Contract is signed, submit the relevant right certificate relevant to the pledge right under the Contract to the Pledgee. The Pledgee shall properly keep the right certificate delivered by the Pledgor.
2. Where the pledge is made in the form of draft, promissory note, check, warehouse receipt, bill of lading, bond and other right certificates that must be transferred by means of endorsement, the word of “pledge” shall be endorsed.
3. Where it is required to handle the registration for the pledge, the Pledgor shall, within \_\_\_\_/ \_\_ day since the date the Contract is signed, go to a relevant registration organization to handle the pledge registration and other legal procedures for pledge. The relevant original registration certificates shall be kept by the Pledgee. In case that the transfer of pledge or other event that needs change in registration occurs, the Pledgor shall assist the Pledgee in handling corresponding procedures for changing the registration.
4. **During the term of the pledge right, the Pledgor, without consent from the Pledgee, shall not give, transfer and license the pledge right to others or dispose of it in any other forms.** If the Pledgor, with the written consent from the Pledgee, transfers and licenses the pledge right to others or disposes of it in other forms, the Pledgor shall use the proceeds gained herein to pay off the debts to the Pledgee in advance or place the proceeds in custody.

5. During the term of the pledge right, in case of reduction in its value, the Pledgee is entitled to demand the Pledgor to provide a guarantee equivalent to the part of value reduced as approved by the Pledgee.

#### Article VII Transfer of pledge right

1. **In case that the Pledgee, prior to the confirmation of the claims secured at the maximum amount under the Contract, transfers part of the claims, the Pledgee is also entitled to transfer the corresponding pledge right.**
2. **In case that the Pledgee, after the confirmation of the claims secured at the maximum amount under the Contract, transfers part of the claims, the Pledgee is entitled not to transfer the corresponding pledge right .**

#### Article VIII Confirmation of claims guaranteed

In any of the following circumstances, the claims secured at the maximum amount under the Contract shall be confirmed:

1. The term of claims expires. "Term expiration" includes the circumstance where the period for confirmation of the claims as agreed in Article I of the Contract expires, and the circumstance where the Pledgee announces that, pursuant to the laws and regulations set forth by the State or the Contract, the period for confirmation of the claims expires in advance. **Where the Debtor violates the obligations under the Principal Contract or the Pledgor violates its obligations under the Contract, the Pledgee is entitled to announce a prior expiration of the period for confirmation of the claims.**
2. It is impossible to generate new claims.
3. The pledge right is sealed up and frozen.
4. The Debtor and the Pledgor are announced bankrupt or are revoked.
5. Other circumstances as stipulated by the laws with respect to the determination of claims.

#### Article IX Realization of pledge right

1. In any of the following circumstances, the Pledgee is entitled to exercise the pledge right. **The Pledgee can directly negotiate or realize the pledge right , or convert the pledge right into money or have priority in satisfying his claims from the proceeds of auction or sale of the pledge right upon consultation with the Pledgor. If the proceeds are not enough to pay off the claims secured under the Contract, the Pledgee is entitled to select the use of the amount for repaying principal, interest, default interest, compound interest or expenses etc.**
  - (1) After the term for performance of any of the debts under the Principal Contract expires, the Pledgee is not paid off. "Term expiration" includes the circumstance where the period for performance of the debts as agreed under Principal Contract expires, and the circumstance where the Pledgee announces that, pursuant to the laws and regulations set forth by the State or the Principal Contract, the period for claims under the Principal Contract expire in advance;
  - (2) The Debtor and the Pledgor are forced to cancel or revoke their respective business license, ordered to close down or other causes for dissolution occur;

- (3) A people's court accepts and listens the bankruptcy application by the Debtor and Pledgor or decides reconciliation;
  - (4) The Debtor and the Pledgor decease, are announced to be disappearing or dead;
  - (5) The pledge right is applied for being cancelled, announcement of its invalidity, objected, litigated, arbitrated, sealed up, frozen, supervised or other mandatory measures are taken against it;
  - (6) The Pledgor fails to offer corresponding guarantee as required by the Pledgee;
  - (7) The Pledgor breaches the obligations under the Contract;
  - (8) Other situations that severely affect the realization of the pledge right.
2. In case that the date for realizing the draft, promissory note, check, warehouse receipt and bill of lading or picking up the pledge expire prior to the claims under the Principal Contract, the Pledgee is entitled to realize them or pick up the pledge, and use the proceeds gained from herein to clear off debts in advance or place them in custody.
  3. **If the claims guaranteed in the Contract involve both real guarantee (including that provided by Debtor or a third party) and surety guarantee, the Pledgee can realize the claims against real guarantee or demand the surety to assume guarantee responsibilities. If the claims guaranteed under the Contract involve two or more real guarantees (including that provided by the Debtor), the Pledgee has right to exercise its pledge right against any or all of the hypothecated assets. In case the Pledgee has chosen one guarantee method/ hypothecated assets to realize claims, the Pledgee can also realize part or all of the claims through other guarantee methods/ hypothecated assets.**
  4. **If the Pledgor is a third party other than the Debtor and the Debtor provides real guarantee for the claims under the Principal Contract, where the Pledgee gives up the real right of pledge and the sequence of the real right of pledge or changes the real right of pledge, the Pledgor agrees to continue to provide pledge against the claims under the Principal Contract as agreed in the Contract.** Such "real right of pledge" refers to the real right of pledge formed due to the pledge of the guaranteed assets provided for the claims under the Principal Contract.
  5. **Where the Pledgor provides guarantee for debts between the Debtor and the Pledgee (including but not limited to several debts under the Contract) through the pledge right under the Contract, and the proceeds gained from converting the pledge right into money or auction and sale of it are not enough to pay off all due debts, the debts to be cleared off and order of offset shall be decided by the Pledgee.**

#### Article X Return of right certificate

1. Where the Debtor has performed all obligations under the Principal Contract, or the Pledgor has cleared off all claims guaranteed under the Principal Contract, the Pledgee shall timely return the right certificate to the Pledgor.
2. The Pledgor shall timely receive the right certificate with respect to the pledge. In case that the Pledgor rejects to receive it, the Pledgor is entitled to place it in custody at the expense of the Pledgor.

#### Article XI Default responsibilities

1. In case that the Pledgor is in any of the following behaviors, the Pledgor shall pay liquidated damages at 5% of the maximum balance regarding the claims guaranteed under the Contract to the Pledgee; if losses are caused to the Pledgee herein, the Pledgor shall also make a full compensation:

- (1) The Pledgor has not acquired the legal authorization required for the pledge under the Contract;
- (2) The Pledgor has not let the Pledgee be informed in faith of the circumstances in which the pledge right is co-owned, disputed or applied to be revoked and announced its invalidity, objected, sealed up, frozen, supervised, litigated, arbitrated, reported for loss and stopped for payment etc;
- (3) The Pledgor fails to submit the right certificate and handle procedures for endorsing or registering the pledge as agreed in the Contract;
- (4) The Pledgor, without written consent from the Pledgee, disposes of the pledge right at its own discretion;
- (5) The Pledgor fails to provide corresponding guarantee as required by the Pledgee;
- (6) Other acts that breach the Contract or affect the Pledgee in realizing the pledge right.

2. In case that the right certificate is damaged or lost due to improper custody by the Pledgee, and damages and losses are caused to the Pledgor herein, the Pledgee shall assume corresponding liabilities for compensation.

#### Article XII Expenses bearing

The bearing of the expenses to be paid to the third party by both parties for performing the Contract shall be determined by both parties through negotiation. If it fails to negotiate or no results are made through negotiation, both parties shall assume the expenses according to laws and regulations.

The laws and regulations referred to under the Contract include the laws, administrative regulations, local regulations, rules, judicial interpretation and other stipulations of the People's Republic of China with legal effect.

#### Article XIII Period for raising an objection to the right of cancellation

**In the event that the Pledgee exercises the right of cancellation according to law, regulations or Contractual agreements, the period for the Pledgor to raise objections is seven working days since the date when the Pledgee notify the Pledgor in oral, writing or other forms.**

#### Article XIV Dispute resolution

If any dispute occurs due to the performance of the Contract, it can be resolved by the parties through negotiation, or by the first method as the following:

1. Litigation. The people's court where the Pledgee is located has the final jurisdiction.
2. Arbitration. The dispute can be submitted to \_\_\_\_\_/\_\_\_\_\_ (full name of an arbitrary organization) for arbitration according to its arbitration rules.

3. During the period of litigation or arbitration, the articles not involved in the dispute under the Contract shall be continuously performed.

Article XV Miscellaneous

**1. The Pledgor shall initiatively know about the operation state of the Debtor and how the transactions under the Contract are incurred and performed. The Principal Contract and relevant legal documents or certificates with respect to the transactions under the Contract shall not be sent to the Pledgor again.**

Article XVI Validation of the Contract

The Contract shall take into effect since the date when the parties sign or affix their seals on it.

Article XVII The Contract is in two originals, each for the Pledgee, the Pledgor and the Debtor, with the same legal effect.

**The Pledgor declares: The Pledgee has prompted relevant articles (especially those in boldface) to us and made explanations, as required by us, for the concepts, contents and legal effect of relevant articles, we have got known about and understood the above articles.**

Pledgee (Seal): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan (Sealed)

Responsible Person or Authorized Representative

Pledgor (Seal)

Legal Representative or Authorized Representative

Pledgor (Seal)  
Dongguan Lite Array Co., Ltd. (Sealed)

Legal representative or

Authorized Representative: Shen Shu Ain 

Pledgor (Seal)

Legal Representative or Authorized Representative

Date of Contract: December 20, 2012  
Location of Contract: Qingxi

The Debtor declares: **I have received the above the Maximum Amount Pledge Rights Contract and have no objections to all the articles in it.**

Debtor (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Legal Representative or

Authorized Representative: Shen Shu Ain



Date of Signature: December 20, 2012

The Contract Filled by:      The Contract Reviewed by:

The Contract witnessed by:

ABC (2009) 3048 – 1

**Import Paying Service Financing Contract**



Agricultural Bank of China

## Import Paying Service Financing Contract

44061020130000021  
(—) NHDFZ (—) No. \_\_\_\_\_

Dear customers,

**To safeguard your rights and interests, please read this Contract terms carefully before signing this Contract (especially for boldface letters), pay close attention to your rights and obligations. If you have any question, please consult with the responsible bank.**

Party A (full name): Dongguan Lite Array Co., Ltd.

Party B (full name): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan

Due to business requirements, Party A applies for import payment service financing to Party B, Party B agrees to accept it, to guarantee that the business is proceeding smoothly, the Both Parties shall develop this Contract through consultation in accordance with relevant national laws and regulations.

Article . Import paying service financing in this Contract is that Party B as well as its paying agent provides a kind of short-term financing under import trade items for Party A. In accordance with the application of Party A, Party B shall choose a paying agent and issue command to the paying agent, the paying agent shall pay for the goods on behalf of Party A, on the agreed financing due date, Party A shall return the principal and interest for financing to Party B, and Party B shall return it back to the paying agent.

Article . Content of import paying service financing

**1. The term, currency, amount, interest rate of import paying service financing shall be subject to the records in the *Import Paying Service Financing Notice*. Party A hereby shall agree that Party B has the rights to determine a reasonable rate and penalty in accordance with Party A's relevant regulations, internal rules as well as the agreement Party A and the paying agent, and shall agree that the interest rate regulated in the *Import Paying Service Financing Notice* is appropriate for the financing under this Contract.**

2. Party B or its higher bank shall issue the payment indication to make external payments in accordance with the payment date and remittance method designated by Party A as well as international common practice. In case the payment date designated by Party A is not a working day for bank at home / abroad, or payment may not be performed on the payment date designated by Party A due to force majeure, the payment may be postponed, Party B shall not undertake any responsibility for this.

Article □. In case the following conditions are not satisfied, Party B shall have the rights to refuse to provide the financing under this Contract.

1. Party A creates general account at the site of Party B (hereinafter referred to as “Party A Account”).
2. The competent authority of Party A applies for the loading certificate materials and under this Contract as well as the Letter of Attorney which is used for authorizing someone to sign.
3. When handling the single business, Party A has already provided *Import Paying Service Financing Application* and other relevant materials requested by Party B, which has been accepted by Party B.
4. Party A has provided the Letter of Credit, relevant documents about collection and remittance in accordance with the requirements of Party B, and handled approval, registration and other procedures about the financing under this Contract.
5. In case the guarantee is set for the financing under this Contract, it shall guarantee that the Contract is signed and effective. In case the mortgage and pledge guarantee is set for the financing under this Contract, relevant mortgage and pledge contracts shall be signed and effective, mortgage and pledge registration procedures shall be handled in accordance with relevant laws and regulations as well as the requirements of Party B, also, all insurances shall be bought for relevant mortgage and pledge in accordance with relevant laws and regulations for mortgage and pledge as well as the requirements of Party B, and the guarantee and insurances shall be effective continuously.

Article □. Repayment source and repayment method

1. Payment for imported goods under this Contract shall be firstly used to pay off the principal and interest for financing and relevant expenses under this Contract. In case the payment for goods may not enough for paying off, Party A shall collect funds separately to pay it off on schedule.
2. In case Party B collects in accordance with this Contract or collects the principal and interest for financing in advance due to the change of national policy, law, credit policy and so on, Party A shall agree Party B to deduct it from Party A Account, if necessary, Party B shall apply for other financing organizations to collect it.

Article □. Rights and obligations of Party A

1. Shall have the rights to apply for and use import paying service financing funds.
2. Shall handle the law and administrative procedures for performing this Contract.
3. Shall provide import contract as well as goods sales conditions and other related materials under import paying service financing in accordance with the requirements of Party B.
4. RMB and foreign currency settlement business under import paying service financing shall be handled through the account created by Party A at the site of Party B.
5. From placing order to payment / acceptance date under Letter of Credit, in case Party A doesn't provide import paying service financing procedures to Party B, it shall not affect the obligation that Party A makes payment / acceptance and pays off funds paid by Party B in advance.
6. When Party A learns about that the following events occur or the following events may occur, Party A shall inform Party B in written after learning about it and put the debt guarantee recognized by Party B into practice:
  - (1) Stock rights change, high layer personnel change, memorandum of association change and organization structure regulation.

- (2) Stop production, out of business, cancellation of registration, cancellation of license or petition for bankruptcy.
- (3) Financial situation deterioration, serious difficulties in production and business or major lawsuit, arbitration events.
- (4) Change name, address, legal representative, contact method and other items.
- (5) Other items which may have an adverse effect on the creditor's rights of Party B.

7. In case Party A performs the following behaviors, it shall be agreed by Party B and shall provide the guarantee measures recognized by Party B for paying off loading principal and interest under this Contract.

(1) Performing contracting, leasing, joint stock system change, joint operation, merging, acquisition, separation, joint venture, asset transferring, reducing registered capital, filing for termination of business and making adjustment, filing for dismissing, petition for bankruptcy and other behaviors which cause credit and debt relationship change in this Contract or affect the realization of creditor's rights;

(2) Providing the guarantee for others debt or mortgage and pledge for the main property of the third party, as well as the behaviors which may affect the others' debt paying ability.

8. Party A or its investors shall not reduce the registered capital, transfer assets or transfer shares without the approval from Party B, which may cause the loss or weakening of ability that Party B performing obligations.

9. In case the following events occur for the guarantor who provides the guarantee to financing under this Contract has: stop production, out of business, cancellation of registration, cancellation of license, petition for bankruptcy, operating loss and so on, partially or fully losing guarantee ability under this Contract, or the guaranty, mortgage, pledge rights value losing, Party A shall provide other guarantee measures recognized by Party B.

10. In case it is import paying service financing business under letter of credit, Party A shall promise and agree that the guarantee money under original letter of credit is transferred as the guarantee money under the financing item in this Contract.

11. Import paying service financing procedures and other bank expenses shall be undertaken by Party A. Party A shall settle such expenses to the account designated by Party B.

12. Party A shall not sign any contract which damages the creditor's rights of Party B under this Contract with the third party.

**13. Any business dispute, trade fraud, stop-payment order from court under import paying service item shall not change or cancel the responsibility and promise of Party A for Party B.**

#### Article . Rights and obligations of Party B

1. In case Party B shall agree to handle import paying service financing, it shall contact the paying agent to handle import paying service financing for Party A in time. In case the import paying service financing can't be handled due to the paying agent doesn't accept or other objective reason, Party B shall not undertake any responsibility, but shall inform Party A in time.

2. Party B shall have the rights to learn about the production business, financial activities, import paying service financing funds usage conditions, and shall have the rights to ask Party A to provide financial statement as well as other documents, materials and information on schedule.

3. In case Party A has any adverse behaviors or conditions which may affect import paying service financing safety, including but not limited to item 6, 7 and 8 listed in Article V, or the original letter of credit is frozen, Party B shall have the rights to inform the paying service to stop paying funds or collect the principal and interest for import paying service financing in advance.

4. When Party B collects the principal, interest, fine under this Contract in advance, and collects the relevant expenses under this Contract, Party B shall have the rights to directly deduct it from the any account of Party A, the offset debt and offset sequence shall be determined by Party B. **In case Party B performs the offset rights in accordance with laws or the agreements in the Contract, the objection period for Party A shall be 7 working days which is calculated from the date when Party B informs Party A in written, orally or other methods.**

**5. In case there are several matured debts between Party A and Party B, and the repayment of Party A can't pay off all matured debts, the debt repayment offset and offset sequence of Party A shall be determined by Party B.**

In case the repayment of Party A can't pay off debts, Party B may choose to make the repayment pay off the principal, interest, fine, compound interest or expenses to realize the creditor's rights.

6. In case Party A can't pay off the principal for import paying service financing on time, or clears and recovers financing or the principal for agency in advance, Party B shall have the rights to adopt one several method(s) to realize the creditor's rights, such as handling the goods under import paying service funds, handling the guaranty or pledge thing legally, pursuing the recovery from the guarantor or directly pursuing the recovery from Party A.

7. In case Party A doesn't perform the repayment obligation, Party B shall make public disclosure for the default behaviors.

#### Article . Guarantee

The guarantee method of creditor's rights for this Contract shall be mortgage by estimating, the guarantee contract shall be signed separately. In case the top amount guarantee method is adopted, the guarantee contract number shall be \_\_\_\_/\_\_\_\_.

#### Article . Responsibility of breach of contract

1. For overdue financing funds in arrears of Party A, since the overdue date, Party B shall collect overdue interest at additional FIFTY percent (capital letter) based on the original interest rate agreed in the *Import Paying Service Financing Notice*, till the principal and interest is paid off.

2. In case Party B asks Party A to repay the principal and interest in advance, Party A can't pay off the principal and interest for import paying service financing on the designated date, since the accelerated overdue date designated by Party B, Party B shall collect overdue interest in accordance with the overdue interest rate.

3. In case Party A violates the agreement causing that Party B pays for him in advance, Party B shall collect the interest for advance in cash in accordance with the agreement in item 1 of this article.

4. In case Party A violates the obligations and promises in this Contract, Party B shall have the rights to refuse accepting the import paying service financing application of Party A, shall have the rights to ask Party A to correct the default behaviors in the limit time, and shall have the rights to ask the paying agent to stop paying for funds, or collect the principal and interest for financing, shall have the rights to announce that the debts under other contracts signed by Party A and Party B shall be expired at once or adopt other assets guarantee measures.

5. In case any guarantor for financing under this Contract violates the obligations in the guarantee contract, Party B shall have the rights to stop issuing financing funds for Party A, and collect the issued financing funds or adopt other assets guarantee measures.

6. In case Party B adopts lawsuit or arbitration methods to realize the creditor's rights due to the default of Party A, Party A shall undertake the retaining fee, travel fee and other fees for realizing the creditor's rights.

Article □. In case Party A puts forwards to repaying in advance, Party B shall negotiate with the agent bank, the procedures for repaying in advance shall be handled after getting approval, and Party A shall undertake the expense and interest caused by this. In case the paying agent doesn't agree to repay in advance, Party A shall pay for the principal and interest for import paying service financing on schedule in accordance with the agreement in the Contract.

Article □. Settlement of dispute

All disputes between the Both Parties arising from this Contract shall be resolved by the Both Parties through consultation or the first kind of method.

1. Lawsuit. It shall be managed by the people's court at the site of Party B.

2. Arbitration. Submit to \_\_\_\_\_/\_\_\_\_\_ (full name of the arbitration organization) for arbitration in accordance with its arbitration rules.

During the course of lawsuit or arbitration, the terms not involved with any dispute in this Contract shall still be performed.

Article XI. Other items

1. *Import Paying Service Financing Application* and *Import Paying Service Financing Notice* related to this Contract shall be an integral part of this Contract.

The Contract correspondence *Rights Pledge Contract* 44100420130000539.

Article XII. Effectiveness of the Contract

This Contract shall become effective on signature or seal of the Both Parties.

Article XIII. This Contract shall be in triplicate. Party A, Party B and the guarantor shall hold one original copy with the same legal effectiveness.

Party A statement: Party B has provided relevant articles to us (especially for boldface letters) and made descriptions for relevant concepts, contents and law effects in accordance with our requirements, we have learned and understood above articles.

Party A (Seal): Dongguan Lite Array Co., Ltd. (Sealed)

Party B (Seal): Agricultural Bank of China Limited Liability Company, Qingxi Sub-branch in Dongguan (Sealed)

Legal Representative or Authorized Representative: Shen Shu Ain



Responsible Person or Authorized Representative

Date of Contract: January 23, 2013

Location of Contract: Agricultural Bank of China Limited Liability Company, Qingxi Sub-branch in Dongguan

The Contract Filled by:      The Contract Reviewed by:

The Contract witnessed by:

ABC (2012) 2014

**Pledge Rights Contract**



Agricultural Bank of China

**Pledge Rights Contract**

Contract No.: 44100420130000539

**Dear customers,**

**To safeguard your rights and interests, please read this Contract terms carefully before signing this Contract (especially for boldface letters), pay close attention to your rights and obligations. If you have any question, please consult with the responsible bank.**

Pledgee (full name): Agricultural Bank of China Limited, Qingxi Sub-branch in Dongguan

Pledgor (full name): (1) Dongguan Lite Array Co., Ltd.

(2) \_\_\_\_\_

(3) \_\_\_\_\_

To ensure the performing of (name and number of Principal Contract) *Import Paying Service Financing Contract 44061020130000021* (hereinafter referred to as the "Principal Contract") signed between the Pledgee and Dongguan Lite Array Co., Ltd., the Pledgor is willing to provide the pledge guarantee for the creditor's rights formed between the Pledgee and the Debtor in accordance with the Principal Contract. The Both Parties shall enter into the Contract through friendly consultation in accordance with relevant laws and regulations set forth by the State.

**Article**  Categories and principal amount of the master obligation right guaranteed

The categories of the master obligation right guaranteed are import paying service, the principal amount (currency and amount in words) is USD TWO MILLION TWO HUNDRED NINE THOUSAND NINE HUNDRED FORTY ONE DOLLARS AND TWENTY FIVE CENTS ONLY.

**Article**  Guaranteed scope of the pledge

The guaranteed scope of the pledge shall conclude the principal amount of the loan under this Contract, its interest, default interest, compound interest, Contractual fine, damage compensation, interest and fine borne by the mortgagor and the guarantor due to delayed payment of debt as affirmed by the relative provisions in the *Civil Procedure Law*, as well as all expense due to the realization of the obligation right by the lender.

**Article**  Pledged right

- 1 The Pledgor agrees to be pledged by the banker's acceptance bill of exchange. For the pledged right in details, see (the name of list and its number) the pledged rights list 2013.001. The list is a part of this Contract and has the equal legal effect.
- 2 The pledged right mentioned above has the provisional price (currency and amount in words) of RMB FIFTEEN MILLION SEVEN HUNDRED FORTY THOUSAND YUAN ONLY. Its final cost shall be subject to the value amount from the real handling pledged rights during the realization of the pledge.

**Article □ Declaration of the Pledgor**

- 1 The Pledgor has obtained the authority required for the guaranty in this Contract as the relative provisions and procedures.
- 2 The Pledgor has the full uncontested ownership or right of disposition for the pledged right.
- 3 The pledged right may be assigned legally.
- 4 The pledged right shall not be in such situations as that it is applied for revocation or invalid declared, objected, sealed up, frozen, supervised, sued, arbitrated, registered for loss reporting, stops payment.
- 5 The Pledgor has been agreed by the co-owner of the right with respect to the pledge terms in this Contract.
- 6 Various expense related to the pledged right shall be paid in time as specified in the laws and regulations and various legal obligations shall be fulfilled. The deadline of the right shall be extended as required by the Pledgee and the pledged right is continuously valid during the persistence of the pledge.
- 7 During the persistence of the pledge, when one of the following situations occurs, the Pledgor shall give the pledge immediately a written notice:
  - (1) The pledged right is applied for revocation or invalid declared, objected, sealed up, frozen, supervised, sued, arbitrated, registered for loss reporting, stops payment, or in other situations affecting the realization of the pledge;
  - (2) The Pledgor is annulled, ordered to close, or its business license is revoked, or it is in the other situations leading to its dismissal occurrence.
  - (3) The Pledgor applies for bankruptcy, reforming, conciliation or it is applied for bankruptcy, reforming.
- 8 The pledged right shall not be in the other situations affecting the realization of the pledge by the Pledgee.

**Article V Effect of the pledge**

The effect of the pledge covers the accession right of the pledged right, fruits and properties and rights specified in the laws and regulations.

**Article VI Delivery and keeping of the right voucher**

- 1 If required to deliver the right voucher, the Pledgor should deliver the right voucher related to the pledged right under the terms in this Contract to the Pledgee within 1 day from the date when this Contract is signed. The Pledgee should keep the right voucher from the Pledgor properly.

- 2 If pledged by a bill of exchange, promissory note, check, warehouse receipt, bill of lading, bond, or the other right voucher required for endorsement and assignment, it should be endorsed with the words of “pledged”.
- 3 If required for handling the pledge registration, the Pledgor should go to relative authority for the pledge registration or the other legal procedures about the pledge within    day from the date when this Contract is signed. The documentary evidence related to the registration should be kept by the Pledgee. When the assignment of the pledge or the other situations required for changing the registration occur, the Pledgor should assist the Pledgee to handle the corresponding procedures for changing the registration.

- 4 **During the persistence of the pledge, the pledged right shall not be granted, assigned, permitted for the usage of the third party by the Pledgor or disposed in the other forms without the written permission by the Pledgee. If it is granted or permitted for the usage of the third party by the Pledgor with the written permission by the Pledgee, the obtained value amount should be used to offset the guaranteed obligatory right before the date of expiration or to be deposited.**
- 5 During the persistence of the pledge, if the cost of the pledged right is decreased, the Pledgee has the right to ask the Pledgor to provide the guaranty equivalent to the decreased amount permitted by the Pledgee.

#### **Article VII** Assignment of the pledge

**If the obligatory right is assigned partially by the Pledgee, it has the right to not assign the corresponding pledge.**

#### Article VIII Realization of the pledge

- 1 If one of the following situations occurs, the Pledgee has the right to perform the pledge. The Pledgee may directly cash the pledge, or agree with the Pledgor to keep the pledged right to offset, or satisfy its claim out of proceeds in priority from the auction, sale of the pledged right. If the obtained value amount offset insufficiently the obligatory right guaranteed under the terms in this Contract, the Pledgee may choose to use this amount to pay for the principal amount, interest, default interest, compound interest, expense and so on:
  - (1) When the time limitation for performing the debt under the terms in the master Contract is expired, the Pledgee isn't satisfied. "The time limitation expired" concludes that the time limitation for performing the debt under the terms in the master Contract, as well as the situation that the Pledgee declares the time limitation of the obligatory right under the terms in the master Contract is expired before the date of expiration specified in this Contract according to the provisions in the laws and regulations or the agreement in the master Contract;
  - (2) The debtor or the Pledgor is annulled, ordered to close, or its business license is revoked, or it is in the other situations leading to its dismissal occur;
  - (3) The debtor or the Pledgor is accepted for its bankruptcy case or judged to conciliation by the people's court;
  - (4) The debtor or the Pledgor is dead or declared to disappear or die;
  - (5) The pledged right is applied for revocation or invalid declared, objected, sealed up, frozen, supervised, sued, arbitrated, or against the other measures performed with compulsory enforcement;
  - (6) The Pledgor doesn't provide the corresponding guaranty as required by the Pledgee;
  - (7) The Pledgor breaks the obligation under the terms in this Contract;
  - (8) The other situations affecting seriously the realization of the the pledge.

- 2 If the cashing or delivery of the bill of exchange, check, promissory note, bond, deposit receipt, warehouse receipt, bill of lading is used to be pledged before the date of expiration of the obligatory right under the terms in the master Contract, the Pledgee has the right to cash or deliver and to use the value amount cashed or the cashing amount of the goods delivered to satisfy the debt or deposit.
- 3 **If the pledge is guaranteed by the real existed simultaneously with the obligatory right guaranteed in this Contract (including the one provided by the debtor or the third party) or by the guaranty, the Pledgor may perform the realization of the obligatory right by the real guaranteed, or require the guarantor to bear the responsibility of its guaranty. If the obligatory right guaranteed in this Contract has the guarantor with more than two objects existed simultaneously (including the guaranty of the objects provided by the debtor), the Pledgor has the right to perform the real right guaranteed for any or each. If the Pledgor has chosen a certain guaranty mode / real guaranteed to perform the realization of the obligatory right, it may decide to perform the realization of the obligatory right fully or partially through the other guaranty modes / real guaranteed at the same time.**
- 4 **If the Pledgor is a third party other than the debtor and the debtor provides the real guaranty for the obligatory right under the terms in the master Contract at the same time, when the Pledgee abandons the real right guaranteed, the priority of the real right guaranteed or changes the real right guaranteed, the Pledgor agrees to continue to provide the guaranty of a pledge for the obligatory right under the terms in the master Contract.**
- 5 **If the Pledgor provides the guaranty with the pledged right under the terms in this Contract for the several debts existed between the debtor and the Pledgee including but not limited to the ones under the terms in the master Contract, and the value amount from the cashing, claim out of proceeds or auction, sale of the pledged right offsets insufficiently all the debt expired, The satisfied debt and the offset priority are decided by the Pledgee.**

#### **Article IX** Returning of the right voucher

- 1 If the debt performs all the debts under the terms in the master Contract, or the Pledgor satisfies all the obligatory rights under the terms in the master Contract, the Pledgee should return the right voucher to the Pledgor in time.
- 2 The Pledgor should receive the right voucher returned by the Pledgee in time. If the Pledgor doesn't receive the right voucher, the Pledgee has the right to deposit it and the expense due to that shall be borne by the Pledgor.

#### **Article X** Responsibilities for defaulting the Contract

- 1 When one of the actions is executed by the Pledgor, it should pay 5 % of the principal amount of the master obligatory right guaranteed in this Contract to the Pledgee; if it results the loss of the Pledgee, the full amount compensation should be offered at the same time:
  - (1) The legal valid authority required by the guaranty in this Contract is not obtained;

- (2) It doesn't inform the fact that the pledged right is in the such situations as that it is shared, in dispute, or applied for revocation or invalid declared, objected, sealed up, frozen, supervised, sued, arbitrated, registered for loss reporting, stops payment and so on;
  - (3) The right voucher is not delivered and the pledged endorsement or registration procedures are not handled as agreed in this Contract;
  - (4) The pledged right is disposed without written permission by the Pledgee;
  - (5) The corresponding guaranty is not offered as required by the Pledgee;
  - (6) The other actions defaulting any agreed clauses in this Contract or affecting the realization of the pledged right by the Pledgee.
- 2 When one of the actions is executed by the Pledgee, and it results the loss of the Pledgor, the Pledgee should bear the corresponding responsibility:
- (1) It results that the right voucher is destroyed or lost due the Pledgee keep it improperly;
  - (2) After the date of expiration for performing the debt, the Pledgor requests the Pledgee to perform the pledge in time in written form, and the Pledgee delays to do that.

#### **Article XI** Bearing of the expense

The expense paid to the third party as necessary as that both Parties perform this Contract shall be borne as agreed by them. If without such agreement or any achievement of such agreement, it shall be borne as specified in the laws and regulations or on the basis of the principle of justice.

The laws and regulations named in this Contract include the laws, administrative regulations, local laws and regulations, rules, judicial interpretation and the other provisions with legal enforcement of the People's Republic of China.

#### **Article XII** Objection period to terminate this Contract

**The Pledgee performs the right to terminate this Contract as specified in the laws or as agreed in this Contract, and the objection period for the Pledgor is 7 working days which is counted from the date when the Pledgee informs the Pledgor in written, oral or the other forms.**

#### **Article XIII** Resolution of the dispute

The dispute which occurs during performing this Contract may be resolved by agreement between parties or by the first of the following means:

- 1) To be sued. It is administrated by the people's court where the Pledgee resides.
- 2) To be arbitrated. It is submitted to \_\_\_\_\_ (the full name of the arbitration authority) to be arbitrated by its rule.

During the suit or the arbitration, the clauses outside of the dispute in this Contract shall be still performed.

**Article X**  Others

- 1 The Pledgor has received and read to know the master Contract guaranteed.
- 2 The clause 2 of Article VIII in this Contract is modified to be "If the date of expiration of the pledged bill of exchange is earlier than the date of expiration of the obligatory right under the terms in the master Contract, the Pledgor entrusts to the Pledgee to cash the bill before the bank's bill of exchange is expired, and transfers the cashed capital into the guaranty fund account of the Pledgor (account number: 44287001012004489) to offer continuously the guaranty of the pledge under the terms in the master Contract."

**Article XV** Effectiveness of the Contract

The Contract shall take into effect since the date when the both parties sign or affix their seals on it.

**Article XVI** The Contract shall be in duplicate, each for the Pledgee and the Pledgor with the same legal effect.

**The Pledgor declares: The Pledgee has prompted relevant articles (especially those in boldface) to us and made explanations, as required by us, for the concepts, contents and legal effect of relevant articles, we have got known about and understood the above articles.**

Pledgee (Seal): Agricultural Bank of China Limited Liability Company, Qingxi Sub-branch in Dongguan (Sealed)

Pledgor (Seal) Dongguan Lite Array Co., Ltd. (Sealed)

Responsible Person or

Legal representative or

Authorized Representative

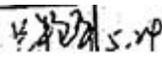
Authorized Representative: Shen Shu Ain

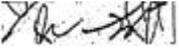
Pledgor (Seal)  
Legal Representative or  
Authorized Representative

Pledgor (Seal)  
Legal Representative or  
Authorized Representative

Date of Contract: \_\_\_\_\_

Location of Contract: **Agricultural Bank of China Limited Liability Company, Qingxi Sub-branch in Dongguan**

The Contract Filled by:  The Contract Reviewed by: 

The Contract witnessed by: 

Dated: 1st Feb, 2013

WING SHING PRODUCTS COMPANY LIMITED

TO

GLOBAL OPTICS LIMITED

---

TENANCY AGREEMENT

---

12/F., KIN TECH INDUSTRIAL BUILDING, 26 WONG CHUK HANG ROAD. ABERDEEN HONG KONG

AN AGREEMENT made this 1st February, 2013

Parties BETWEEN the parties more particularly described and set out in the First Schedule hereto.

WHEREBY IT IS AGREED as follows:-

Premises 1. The Landlord shall let and the Tenant shall take ALL THAT the premises more particularly described and set out in the Second Schedule hereto (hereinafter referred to as "the said premises")  
Term Rent payment TOGETHER with use in common with the Landlord and all others having the like right of the entrances, staircases, passages and lavatories (if any) in the building of which the said premises form part (hereinafter called "the said building") in so far as the same is necessary for the proper use and enjoyment of the said premises for the term and at the rent more particularly described and set out in the Third Schedule hereto.

Agreement by Tenants 2. The Tenant to the intent that the obligations hereunder shall continue throughout the said term of tenancy hereby agrees with the Landlord as follows:-

- To pay rent
- To keep interior etc. in repair
- Removal of Rubbish and Debris
- (a) To pay the said rent on the days and in manner hereinbefore provided for payment thereof.
  - (b) To keep all the interior of the said premises including the flooring and interior plaster or other finishes or rendering to walls, floors and ceilings and the Landlord's fixtures, fittings and furnishings therein including (without limitation) all doors, windows, electrical installations and wiring, light fittings, fire fighting apparatus and all waste, drain, water and other pipes and sanitary apparatus and fittings therein in good, clean tenantable repair and condition and properly preserved and so to maintain the same at the expense of the Tenant and to deliver up the same to the Landlord at the expiration or sooner determination of the term in like condition fair wear and tear excepted.
  - (c) To remove at the Tenant's expense from the said premises all rubbish or debris upon delivery of vacant possession to the Landlord at the expiration or sooner termination of the tenancy including but not

limited to (1) the removal of all the decoration and addition to the frontage of the said premises including signboard, sign, advertising and publicity matter and other device whether in form of electrical installation or not; (2) the removal of all decoration and addition in the interior of the said premises including wall panelling, wall paper, nail and metal fastenings, air-conditioner, ducting, brackets and vents attached to the walls, ceilings, floors, supporting columns, beams and girders and the internal partitioning, electrical fittings and suspended ceilings and in the event of the Tenant's failure so to do they shall be done by the Landlord at the Tenant's expense.

To be responsible for loss or  
damage caused by Interior  
Defects

- (d) To be wholly responsible for any loss, damage or injury caused to any person whomsoever directly or indirectly through the defective or damaged condition of any part of the interior of the said premises and to make good the same by payment or otherwise and to indemnify the Landlord against all actions, proceedings, claims and demands made upon the Landlord in respect of any such loss, damage or injury and all costs and expenses incidental thereto.

To permit Landlord to enter and view

(e) To permit the Landlord and all persons authorised by him at all reasonable times to enter and view the state of the said premises, to take inventories of the fixtures and fitting therein, to carry out any work or repairs which require to be done and, during the last three months of the said term, to show the said premises to prospective tenants or purchasers.

To execute repairs on receipt of notice

(f) On receipt of any notices from the Landlord or his authorised representatives specifying any works or repairs which require to be done and which are the responsibility of the Tenant hereunder forthwith to put in hand and execute the same with all possible despatch and without any delay.

Not to erect install or alter partitioning, fixtures, etc.

(g) Not without the previous written consent of the Landlord to take down, alter, change or modify any fixtures, partitioning or other erection or

without Landlord consent

installation in the said premises or any part thereof, including without prejudice to the foregoing generality all the fittings and fixtures specified in the Fourth Schedule hereto, nor to install or erect any fixtures, partitioning or other erection therein. In the event that the Tenant desires to make any alteration to the interior of the said premises then the Tenant must first submit detailed plans and drawings to the Landlord showing the proposed alterations and the Landlord shall then have full and final discretion to consent or to withhold consent to the proposed alterations and if consent is granted it may be granted subject to such conditions as the Landlord may impose.

Not to cut injure maim walls  
etc.

(h) Not to cut maim or injure or permit or suffer to be cut maimed or injured any doors, windows, walls, beams structural members or any part of the fabric of the said premises nor any of the plumbing or sanitary apparatus or installations included therein.

Not to assign or underlet etc.  
without consent of Landlord

- (i) Not to assign underlet or otherwise part with the possession of the premises or any part thereof in any way whether by way of sub-letting lending sharing or other means whereby any person or persons not a party to this Agreement obtains the use or possession of the premises or any part thereof irrespective of whether any rental or other consideration is given for such use or possession and in the event of any such transfer sub-letting sharing assignment or parting with the possession of the premises (whether for monetary consideration or not) this Agreement shall absolutely determine and the Tenant shall forthwith vacate the premises on notice to that effect from the Landlord. The tenancy shall be personal to the Tenant named in this Agreement and without in any way limiting the generality of the foregoing, the following acts and events, shall, unless previously approved in writing by the Landlord be deemed to be breaches of this sub-clause : -
  - (i) the taking in by the tenant of one or more partners or new partners in his business on the said premises whether on the death or retirement of an existing partner or otherwise.

- (ii) the giving by the Tenant of a Power of Attorney or similar authority whereby the donee of the Power obtains the right to use, possess, occupy or enjoy the said premises or any part thereof or does in fact use, possess, occupy or enjoy the same.
- (iii) the change of the Tenant's business name during the term of the tenancy without the previous written consent of the Landlord.

Not to produce music or noise audible outside

- (j) Not to produce or permit or suffer to be produced any music, noise (including sound produced by broadcasting or any apparatus or equipment capable of producing reproducing receiving or recording sound) so as to be a nuisance or annoyance to occupiers of other premises in the said building or in the neighbourhood.

Not to permit any nuisance or annoyance

(k) Not to do or permit or suffer to be done any act or thing which may be or become a nuisance or annoyance to the Landlord or to the tenants or occupiers of other premises in the said building or in any adjoining or neighbouring building.

Not to breach Crown Lease terms or cause Insurance to be avoided or premium increased

(l) Not to do or permit or suffer to be done any act, deed, matter or thing whatsoever which amounts to a breach of any of the terms and conditions under which the said building is held from the Crown or whereby any insurance of the said building against loss or damage by fire and/or claims by third parties for the time being in force may be rendered void or voidable or whereby the premium thereon may be increased Provided That if as the result of any act, deed, matter or thing done permitted or suffered by the Tenant, the premium on any such insurance shall be increased, the Landlord shall be entitled at his option either to terminate this Agreement or to continue the same upon payment by the Tenant of the increased premium and upon such other terms and conditions as the Landlord may, at his discretion think fit to impose.

Not to keep arms or combustible or hazardous goods on premises

(m) Not to use the said premises for the storage of goods or merchandise other than consistent with the nature of the Tenant's business and not to keep or store or permit or suffer to be kept or stored on or in the said premises any arms ammunition gunpowder saltpetre or kerosene or other explosive or combustible hazardous goods.

Not to permit illegal or immoral use

(n) Not to use or permit or suffer the said premises to be used for any illegal or immoral purpose.

Not to display signs

(o) Not to affix or display or permit or suffer to be affixed or displayed within or outside the said premises any signboard, sign decoration or other device whether illuminated or not which may be visible from outside the said premises without the written consent of the Landlord first had and obtained which consent shall not be unreasonably withheld.

Not to encumber or obstruct

(p) Not to encumber or obstruct or permit to be encumbered or obstructed with any boxes, packaging or obstruction of any

passages and common areas

kind or nature any of the entrances, staircases, landings, passages, lifts (if any) lobbies or other parts of the said building in common use and not to leave rubbish or any article or thing in any part of the said building not in the exclusive occupation of the Tenant.

To Comply with Ordinances etc.

(q) To obey and comply with and to indemnify the Landlord against the breach of all ordinances, regulations, bye-laws, rules and requirements of any Governmental or other competent authority relating to the use and occupation of the said premises or any other act, deed, matter or thing done, permitted, suffered or omitted therein or thereon by the Tenant or any employee, agent or licensee of the Tenant.

To observe Deed of Mutual Covenant

(r) To obey observe and comply with and perform all the negative or restrictive covenants terms and provisions in the Deed of Mutual Covenant and Management Agreement (if any) relating to the said building so far as they relate to the said premises and to indemnify the Landlord against the breach non-observance or non-performance thereof.

Drainage

- (s) To maintain and keep in good proper and workable condition of drainage leading to the public sewer within the said premises during the term of tenancy and to indemnify the Landlord against all actions, proceedings, claims, and demands made upon the Landlord in respect of any such breach resulting in statutory action taken by the authority concerned under the Building Ordinance owing to the Tenant's failure to take prompt action or precautionary steps to prevent the occurrence of such malfunction.

To pay cost of clearing drains etc.

- (t) To pay to the Landlord on demand all costs incurred by the Landlord in cleansing or clearing any of the drains, pipes or sanitary or plumbing apparatus choked or stopped up owing to the careless or improper use or neglect by the Tenant or any employee, agent or licensee of the Tenant and to indemnify the Landlord against any cost, claim or damage caused thereby or arising therefrom.

To pay rates

- (u) To be responsible for the payment of all of rates now or hereafter to be assessed, imposed or charged by the Rating and Valuation Department or other Government

Authorities on the Ground Floor of the said building. The rates shall be settled by the Landlord on behalf of the Tenant who shall reimburse the Landlord forthwith the full amount of rates upon being served a copy of the Rates Demand Note for the relevant period by the Landlord.

To pay taxes etc.

- (v) To pay and discharge all taxes, assessments duties, charges impositions and outgoings of an annual or recurring nature now or hereafter to be assessed, imposed or charged by the Government of Hong Kong or other lawful authority upon the said premises or upon the owner or occupier thereof (Property tax and Crown Rent only excepted).

To pay maintenance gas,  
water electricity

- (w) To pay and discharge all of service management and maintenance charges charged on the Ground Floor of the said building pursuant to or by virtue of the said Deed of Mutual Covenant and Management Agreement (if any) and all charges for gas, water and electricity consumed on or in the said premises which are operated from the Tenant's own metered supply

To deliver copies of receipts  
rates, property tax, electricity

(x) To deliver to the Landlord on request all Government or public utility, demand notice, including demand notices for water rates, property tax, water and electricity charges, received during the term of this Tenancy Agreement and receipts for the payment thereof.

To protect interior from  
approaching typhoon

(y) To take all precautions to protect the interior of the premises against damage by storm or typhoon or the like.

User

(z) To use the said premises for factory purpose only.

(aa) Not without the Landlord's prior permission in writing to permit any person to remain in the said premises overnight. Such permission shall only be given to enable the Tenant to post watchmen to look after the contents of the said premises which shall not be used as sleeping quarters or as domestic premises within the meaning of any ordinance for the time being in force relating to the protection of tenants.

- (bb) Quietly to yield up the said premises together with all fixtures, fittings and additions therein and thereto at the expiration or sooner determination of this tenancy in good clean and tenantable repair and condition (fair wear and tear excepted) and shall upon the request of the Landlord at the Tenant's own costs and expenses reinstate the said premises to its original state (fair wear and tear excepted) subject to sub-clause (c) of this Clause hereto.

Landlord covenants

3. The Landlord hereby agrees with the Tenant as follows :-

Crown Rent and Property Tax

- (a) To pay the Crown Rent and Property Tax attributable to or payable in respect of the said premises.

That Tenant shall have quiet enjoyment

- (b) That the Tenant paying the rent hereby agreed to be paid on the days and in manner herein provided for payment of the same and observing and performing the agreements stipulations terms and conditions herein contained and on the Tenant's part to be observed and performed shall peaceably hold and enjoy the said premises during the said term without any interruption by the Landlord or any person lawfully claiming under or in trust for the Landlord

4. IT IS HEREBY FURTHER EXPRESSLY AGREED AND DECLARED as follows:-

Re-entry on default

- (a) If the rent hereby agreed to be paid or any part thereof shall be unpaid for fifteen days after the same shall become payable (whether legally or formally demanded or not) or if the Tenant shall fail or neglect to observe or perform any of the agreements, stipulations terms and conditions herein contained and on the Tenant's part to be observed and performed or if the Tenant shall become bankrupt or being a corporation shall go into liquidation (save the voluntary liquidation of a solvent company for the purposes of amalgamation or reconstruction) or if the Tenant shall otherwise become insolvent or make any composition or arrangement with creditors or shall suffer any execution to be levied on the said premises or otherwise on the Tenant's goods, then and in any such case it shall be lawful for the Landlord at any time thereafter to re-enter on the said premises or any part thereof in the name of the whole whereupon this Agreement shall absolutely cease and determine but without prejudice to any right of action of the Landlord in

respect of any outstanding breach or non-observance or non-performance of any of the said agreements, stipulations terms and conditions herein contained and on the Tenant's part to be observed and performed and to the Landlord's right to deduct all loss damage and expense thereby incurred from the deposit paid by the Tenant in accordance with Clause 7 hereof.

Legal costs incurred by  
Landlord

- (b) All costs and expenses including any legal costs and fees incurred by the Landlord in demanding payment of rent and other charges aforesaid (if the Landlord elects to demand) or the extent of any loss to the Landlord arising out of this Clause shall be paid by the Tenant and shall be recoverable from the Tenant as a debt or be deductible by the Landlord from any deposit held by the Landlord hereunder.

Interest

- (c) Notwithstanding anything herein contained in the event of default in payment of rent or other monies payable by the Tenant hereunder for a period of 10 days from the date when payment is due (whether formally demanded or not) the Tenant shall pay to the Landlord on demand daily interest on all such sums

outstanding at the rate of 2.0% per calendar month calculated from the date on which the same shall be due for payment (in accordance with the provisions contained in that behalf herein) until the date of payment as liquidated damages and not as penalty provided that the demand and/or receipt by the Landlord of interest pursuant to this Clause shall be without prejudice to and shall not affect the right of the Landlord to exercise any other right or remedy hereof (including but without prejudice to the generality of the foregoing the right of re-entry) exercisable under the terms of this Agreement.

Notice of re-entry

- (d) A written notice served by the Landlord on the Tenant in manner hereinafter mentioned to the effect that the Landlord thereby exercises the power of re-entry herein contained shall be a full and sufficient exercise of such power without actual physical entry on the part of the Landlord.

Non-waiver

- (e) Acceptance of rent by the Landlord shall not be deemed to operate as a waiver by the Landlord of any right to proceed against the Tenant in respect of any breach non-

observance or non-performance of the said agreements stipulations terms and conditions herein contained and on the Tenant's part to be observed and performed.

Landlord not liable for overflow of water etc.

Tenant to indemnify Landlord against certain claims

- (f) The Landlord shall not be under any liability to the Tenant or to any other person whomsoever in respect of any loss or damage to person or property sustained by the Tenant or any such other person caused by or through or in any way owing to the overflow of water or the escape of fumes smoke fire or any other substance or thing from anywhere within the said building and the Tenant shall fully and effectually indemnify the Landlord from and against all claims and demands made against the Landlord by any person in respect of any loss, damage or injury caused by or through or in any way owing to the overflow of water or the escape of fumes smoke fire or any other substance or thing from the said premises owing to the neglect or default of the Tenant his servants, agents or licensees or to the defective or damaged condition of the interior of the said premises for which the Tenant is responsible hereunder and against all costs and expenses incurred by the Landlord in respect of any such claim or demand.

Tenant responsible for acts of servants customers etc.

(g) For the purpose of these presents any act, default neglect or omission of any guest, visitor, servant, agent, licensee or invitee of the Tenant shall be deemed to be the act, default, neglect or omission of the Tenant.

For purposes of Distraint Rent in arrear not paid in advance on date

(h) For the purposes of Part III of the Landlord and Tenant (Consolidation) Ordinance, (Chapter 7) and of these presents, the rent payable in respect of the said premises shall be and be deemed to be in arrear if not paid in advance at the times and in manner herein provided for payment thereof.

Landlords can exhibit Letting Notice during last three months of term

(i) During the three months immediately preceding the expiration of the term hereby created, the Landlord shall be at liberty to affix and maintain without interference upon any external part of the said premises a notice stating that the said premises are to be let and such other information in connection therewith as the Landlord shall reasonably require.

Service of Notice

- (j) Any notice required to be served hereunder shall, if to be served on the Tenant, be sufficiently served if addressed to the Tenant and sent by prepaid post to or delivered at the said premises or the Tenant's registered office in Hong Kong and, if to be served on the Landlord shall be sufficiently served if addressed to the Landlord and sent by prepaid post to or delivered at the Landlord's last known place of business or residence in Hong Kong.

Stamp Duty & Costs

- (k) The legal costs of and incidental to the preparation and completion of this Agreement and the stamp duty and registration fee on this Agreement and its counterpart shall be borne by the parties hereto in equal shares.

Definitions

- (l) Unless the context otherwise requires, words herein importing the masculine feminine or neuter gender shall include the others of them and words herein in the singular shall include the plural and vice versa and the terms "Landlord" and "Tenant" shall include their successors in title (if applicable).

Marginal Notes

(m) The marginal notes are intended for guidance only and do not form part of this Agreement nor shall any of the provisions in this Agreement be construed or interpreted by reference thereto or be in any way affected or limited thereby.

Key Money

5. The Tenant hereby expressly declares that for the grant of the said term no key money or other premium or consideration has been paid to the Landlord or to any person.

Suspension of rent in case of fire etc.

6. If the said premises or the said building or any part thereof shall at any time during the tenancy be inaccessible or so destroyed or damaged owing to fire water storm wind typhoon defective construction white ants earthquake subsidence of the ground or any calamity beyond the control of the Landlord and not attributable to the act or default of the Tenant as to render the said premises unfit for habitation and use and the policy or policies of insurance effected by the Landlord shall not have been vitiated or payment of the policy moneys refused in whole or in part in consequence of any act or default of the Tenant or if at any time during the continuance of this tenancy the said premises or said building shall be condemned as a dangerous structure or a demolition order or closing order shall become operative in respect of

the said premises or the said building then the rent hereby reserved or a fair proportion thereof according to the nature and extent of the damage sustained or order made shall after the expiration of the then current month be suspended until the said premises or said building shall again be rendered accessible or fit for habitation and use as the case may be Provided that the Landlord shall not be under any obligation to reinstate the said premises if by reason of the condition of the said premises or any local regulations or other circumstances beyond the control of the Landlord it is not practicable or reasonable so to do.

Tenant's Deposit

7. The Tenant shall deposit and hereafter maintain such deposit with the Landlord in the sum of HK\$146,250.00 to secure the due observance and performance by the Tenant of agreements stipulations terms and conditions herein contained and on the Tenant's part to be observed and performed. The said deposit shall be retained by the Landlord throughout the said term free of any interest to the Tenant with power for the Landlord, without prejudice to any other right or remedy hereunder to deduct therefrom the amount of any costs expenses loss or damage sustained by the Landlord as the result of any non-observance or non-performance by the Tenant of any such agreements stipulations terms or conditions.

Repayment of deposit

Subject as aforesaid, the said deposit shall be refunded to the Tenant by the Landlord within seven days after the expiration or sooner determination of this Agreement and the delivery of vacant possession to the Landlord or within seven days of the settlement of the last outstanding claim by the Landlord against the Tenant in respect of any breach, non-observance or non-performance of any of the said agreements, stipulations terms or conditions and on the part of the Tenant to be observed and performed whichever is the later.

Early Termination by Landlord

8. Notwithstanding any provision to the contrary contained in this Agreement if at any time during the tenancy hereby created the Landlord shall enter into a contract for the sale of the said premises or the said building or any part thereof which shall include the said premises or any property which shall include the said premises or if the Landlord shall resolve to redevelop the said premises or the said building or any part thereof which shall include the said premises or any property which shall include the said premises whether wholly by demolition and rebuilding or otherwise, or partially by renovation, re-furbishment or otherwise (and a copy of a resolution of its board of directors certified to be a true and correct copy by any one of its directors or by its secretary shall be conclusive evidence of such resolution and of its intention to redevelop) then in

either of such events the Landlord shall be entitled to give not less than six (6) months' notice in writing expiring at any day of a month terminating this Agreement and immediately upon the expiration of such notice this Agreement and everything herein contained shall cease and be void but without prejudice to the rights and remedies of either party against the other in respect of any antecedent claim or breach of any of the agreements or stipulations herein set out.

AS WITNESS the hands of the parties hereto the day and year first above written.

THE FIRST SCHEDULE ABOVE REFERRED TO  
(NAME ADDRESSES AND DESCRIPTION OF PARTIES HERETO)

LANDLORD: WING SHING PRODUCTS COMPANY LIMITED whose registered office is situate at 12/F Kin Teck Industrial Building, 26 Wong Chuk Hang Road, Hong Kong

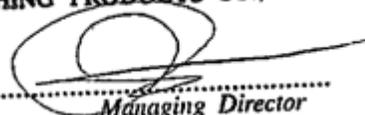
TENANT : GLOBAL OPTICS LIMITED whose registered office is situate at 12/F Kin Teck Industrial Building, 26 Wong Chuk Hang Road, Hong Kong

THE SECOND SCHEDULE ABOVE REFERRED TO  
(TERM OF LETTING, RENT, ETC)

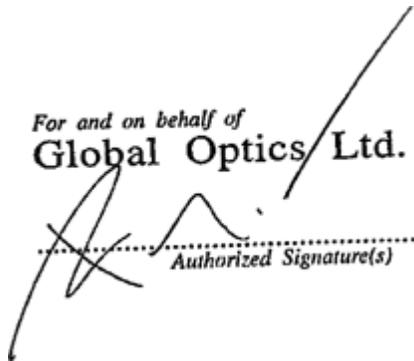
The said premises shall be let for the terms from 1/2/2013 to 31/3/2013 and the rent is charged as below per calendar month during the said terms exclusive of rates and management charges payable in advance without deduction on the 1<sup>st</sup> day of each and every calendar month:-

The rent of HONG KONG DOLLARS FORTY EIGHT THOUSAND AND SEVEN HUNDRED FIFTY (HK\$48,750) per calendar month from 1/2/2013 to 31/3/2013

SIGNED by MR SHAM CHUN KUEN, JOHN  
for and on behalf of the landlord  
in the presence of:-

) **WING SHING PRODUCTS CO., LTD.**  
)  
)   
) .....  
) *Managing Director*

SIGNED by MR SHAM CHUN KAN, RICKY  
for and on behalf of the Tenant in  
the presence of:-

) *For and on behalf of*  
) **Global Optics Ltd.**  
)   
) .....  
) *Authorized Signature(s)*

**EXHIBIT 8.1**

The following table sets forth the significant subsidiaries owned, directly or indirectly, by us.

<u>Name</u>	<u>Place of incorporation</u>	<u>Percentage of equity interest held</u>
<b>SUBSIDIARIES:</b>		
Global Appliances Holdings Limited	British Virgin Islands	100.0%
Global Display Holdings Limited	British Virgin Islands	100.0
Dongguan Wing Shing Electrical Products Factory Company Limited	China	100.0
Dongguan Lite Array Company Limited	China	100.0
Dongguan Microview Medical Technology Company Limited	China	100.0
Global Household Products Limited	Hong Kong	100.0
Global-Tech USA, Inc.	United States	100.0
GT Investments (BVI) Limited	British Virgin Islands	100.0
Kwong Lee Shun Trading Company Limited	Hong Kong	100.0
Pentalpha Medical Limited	Hong Kong	100.0
Pentalpha Hong Kong Limited	Hong Kong	100.0
Joke Media Limited	China	100.0
Global Optics Limited	Hong Kong	100.0
Consortium Investment (BVI) Limited	British Virgin Islands	100.0
Lite Array, Inc.	United States	76.75
Global Lite Array (BVI) Limited	British Virgin Islands	76.75
Lite Array OLED (BVI) Company Limited	British Virgin Islands	76.75
Lite Array Holdings Limited	British Virgin Islands	30.0
Litewell Technology (HK) Limited	Hong Kong	30.0
Dongguan Litewell (OLED) Technology Limited	China	30.0

\* Dongguan Litewell (OLED) Technology Limited and Litewell Technology (HK) Limited are wholly-owned subsidiaries of Lite Array Holdings Limited. Whereas, Lite Array Holdings Limited is a jointly-controlled entity of the Company.





CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Global-Tech Advanced Innovations Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

(1) The Annual Report on Form 20-F for the period ended March 31, 2013 (the "Form 20-F") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 20-F.

Date: July 23, 2013

/s/ John C.K. Sham

John C.K. Sham  
President, Chief Executive Officer and Acting Chief  
Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 20-F or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Global-Tech Advanced Innovations Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

(1) The Annual Report on Form 20-F for the period ended March 31, 2013 (the "Form 20-F") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 20-F.

Date: July 23, 2013

/s/ John C.K. Sham

John C.K. Sham  
President, Chief Executive Officer and Acting Chief  
Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 20-F or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No.333-129973) pertaining to the 2005 Stock Option Plan of Global-Tech Advanced Innovations Inc. (The “Company” and formerly known as Global-Tech Appliances Inc.);
- (2) Registration Statement (Form S-8 No.333-9182) pertaining to the Amended and Restated 1997 Stock Option Plan of the Company;
- (3) Registration Statement (Form S-8 No.333-10932) pertaining to the 1999 Employee Stock Purchase Plan of the Company; and
- (4) Registration Statement (Form S-8 No.333-171337) pertaining to the 2011 Omnibus Equity Plan of the Company;

of our report dated August 31, 2011, except for Note 18 which is as of July 23, 2012, relating to the consolidated financial statements of the Company appearing in the Company’s Annual Report on Form 20-F for the year ended March 31, 2013.

/s/ BDO Limited  
Hong Kong  
July 23, 2013

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No.333-129973) pertaining to the 2005 Stock Option Plan of Global-Tech Advanced Innovations Inc. (The “Company” and formerly known as Global-Tech Appliances Inc.);
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- (3) Registration Statement (Form S-8 No.333-10932) pertaining to the 1999 Employee Stock Purchase Plan of the Company; and
- (4) Registration Statement (Form S-8 No.333-171337) pertaining to the 2011 Omnibus Equity Plan of the Company;

of our report dated July 23, 2013, relating to the consolidated financial statements of the Company appearing in the Company’s Annual Report on Form 20-F for the year ended March 31, 2013.

/s/ Mazars CPA Limited  
Hong Kong  
July 23, 2013