



# **GLOBAL-TECH ADVANCED INNOVATIONS INC. AND SUBSIDIARIES**

## **ANNUAL REPORT**

**MARCH 31, 2015**

### **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; the loss of, or a significant reduction or delay in purchases by our customers; competition in our 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; our ability to control our costs while maintaining customer relationships and core business resources; the pricing and availability of raw materials; litigation and disputes involving us, including the extent of product liability, warranty, pension, employment and other similar claims asserted against us; the impairment of our goodwill and other indefinite-lived intangible assets; 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; regulations governing the export of our products; 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.

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## LETTER TO OUR SHAREHOLDERS

Despite improved operating results when compared with fiscal 2014, fiscal 2015 was another challenging year for the company. Net sales for the fiscal year were \$78.0 million, up approximately 24.4% when compared to net sales of \$62.7 million in fiscal 2014. Net loss for fiscal 2015 was \$6.4 million, or \$2.11 per share, compared to a net loss of \$10.6 million, or \$3.47 per share, in fiscal 2014.

Operating results were a reflection of the dynamic and increasingly competitive environment the company now finds itself in together with unstable conditions in China, where increases in labor and overhead costs have eliminated most of the advantages previously held over our competitors.

Despite our efforts to improve efficiency and reduce costs, operating margins for our camera module component business, which made up the bulk of our sales in fiscal 2015, were under constant pressure as pricing continued to deteriorate. Given the limited barriers to entry to the camera module business, the company lost several key customers to competitors during the fiscal year as new entrants to the market offered them substantial price reductions that we were unable to match.

We were able to make continued advancements in our medical product business in fiscal 2015 through the penetration of our targeted markets, though we expect that this business will take some time to cultivate before it could start contributing to our business. This is due to the length of time it takes to apply and obtain approvals from governmental agencies and institutions. Additionally, while we are confident the products we could provide would likely create significant savings to hospitals and medical facilities, the decision as to whether to purchase our products are not necessarily made based purely on economics.

We continued leasing much of our Dongguan facility and utilized the rental income to cover most of our maintenance, tax and depreciation costs associated with the facility. Ultimately, however, we need to find better utilization for this asset.

China's economy is changing significantly, with the most drastic changes occurring in the Guangdong Province, where our facility is located. Costs have escalated dramatically, particularly labor costs, thus altering the competitive economics for commodity manufacturing compared to other lower-cost manufacturing areas. Nevertheless, we have been and will continue to consider and evaluate options that will improve our financial results.

Again, I wish to thank my fellow employees and shareholders for their ongoing patience and support.

JOHN C.K. SHAM  
President and Chief Executive Officer

October 16, 2015

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**GLOBAL-TECH ADVANCED INNOVATIONS INC.  
AND SUBSIDIARIES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2015 AND 2014**

**AND FOR THE YEARS ENDED MARCH 31,  
2015, 2014 AND 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 balance sheets of Global-Tech Advanced Innovations Inc. and its subsidiaries (collectively referred to as the "Company") as of March 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years ended March 31, 2015, 2014 and 2013. 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, 2015 and 2014, and the consolidated results of its operations and cash flows for the years ended March 31, 2015, 2014 and 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mazars CPA Limited  
*Certified Public Accountants*  
Hong Kong

July 17, 2015

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2015 and 2014

	Notes	2015 US\$	2014 US\$
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents .....	4	14,501,954	22,820,300
Time deposits.....	5	12,649,524	11,339,515
Restricted cash.....	6	9,850,930	4,013,565
Available-for-sale investments .....	7	—	1,050,500
Accounts and bills receivable, net .....	8	20,493,672	21,216,884
Inventories .....	9	6,418,778	7,162,867
Prepaid expenses .....		95,398	123,462
Deposits and other assets .....		3,753,765	2,475,765
Amount due from a related party.....	10	15,475	12,569
Total current assets.....		<u>67,779,496</u>	<u>70,215,427</u>
Interests in jointly-controlled entities.....		—	—
Property, plant and equipment, net.....	11	24,175,245	26,316,958
Land use rights, net .....	12	2,826,511	2,923,424
Deferred tax assets .....	17	2,815	—
Deposits paid for purchase of property, plant and equipment .....		199,693	212,134
Total assets.....		<u>94,983,760</u>	<u>99,667,943</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
Current liabilities:			
Short term bank loans .....	14	6,780,394	7,279,629
Accounts and bills payable .....		14,248,741	12,520,080
Customer deposits .....		1,251,521	1,138,500
Accrued salaries, allowances and other employee benefits .....		3,077,943	2,980,622
Other accrued liabilities.....	13, 22	6,284,082	5,720,757
Income tax payable.....		4,028,708	4,233,169
Total current liabilities .....		<u>35,671,389</u>	<u>33,872,757</u>
Deferred tax liabilities.....	17	—	5,183
Total liabilities .....		<u>35,671,389</u>	<u>33,877,940</u>
Commitments and contingencies .....	20, 21		
Shareholders' equity:			
Common stock, par value US\$0.04 per share; 12,500,000 shares authorized; 3,233,814 shares issued as of March 31, 2015 and 2014.....	15	129,353	129,353
Preferred stock, par value US\$0.04 per share; 250,000 shares authorized; no shares issued .....		—	—
Additional paid-in capital .....		85,108,427	85,103,910
Statutory reserves .....	3(ad)	1,328,283	1,340,229
Accumulated deficit.....		(32,999,298)	(26,590,366)
Accumulated other comprehensive income .....		10,848,613	10,854,689
Less: Treasury stock, at cost, 189,587 shares as of March 31, 2015 and 2014.....		(4,663,321)	(4,663,321)
Total Global-Tech Advanced Innovations Inc. shareholders' equity .....		<u>59,752,057</u>	<u>66,174,494</u>
Non-controlling interests .....		(439,686)	(384,491)
Total shareholders' equity .....		<u>59,312,371</u>	<u>65,790,003</u>
Total liabilities and shareholders' equity .....		<u>94,983,760</u>	<u>99,667,943</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, 2015, 2014 AND 2013

	Notes	2015 US\$	2014 US\$	2013 US\$
Net sales.....		78,020,855	62,692,901	66,827,069
Cost of goods sold.....		(74,867,109)	(57,999,265)	(56,854,673)
Gross profit.....		3,153,746	4,693,636	9,972,396
Selling, general and administrative expenses.....		(12,423,741)	(13,148,067)	(12,383,973)
Operating loss.....		(9,269,995)	(8,454,431)	(2,411,577)
Interest income, net.....		438,951	685,138	1,504,166
Other income, net.....	16	2,146,108	2,396,789	583,315
Loss from continuing operations before income taxes.....		(6,684,936)	(5,372,504)	(324,096)
Income tax benefits.....	17	209,046	255,927	841,900
Income (Loss) from continuing operations.....		(6,475,890)	(5,116,577)	517,804
Loss from discontinued operations, net of tax.....	18	—	(5,547,024)	(2,589,063)
Net loss.....		(6,475,890)	(10,663,601)	(2,071,259)
Other comprehensive income				
Foreign currency translation adjustments.....		44,241	153,453	989,852
Release of unrealized loss on available-for-sale investments, net of income tax of nil, upon disposal.....		(50,500)	(13,980)	—
Unrealized gain on available-for-sale investments, net of income tax of nil..		—	5,300	22,495
Total comprehensive loss.....		(6,482,149)	(10,518,828)	(1,058,912)
Less: Comprehensive loss attributable to non-controlling interests				
Net income.....		55,012	108,044	107,958
Foreign currency translation adjustments.....		183	176	(52)
Total comprehensive loss attributable to shareholders of Global-Tech Advanced Innovations Inc. ....		(6,426,954)	(10,410,608)	(951,006)
Income (Loss) from continuing operations.....		(6,475,890)	(5,116,577)	517,804
Net income attributable to non-controlling interests.....		55,012	108,044	107,958
Income (Loss) from continuing operations attributable to shareholders of Global-Tech Advanced Innovations Inc. ....		(6,420,878)	(5,008,533)	625,762
Loss from discontinued operations.....		—	(5,547,024)	(2,589,063)
Net loss attributable to shareholders of Global-Tech Advanced Innovations Inc.....		(6,420,878)	(10,555,557)	(1,963,301)
Basic and diluted earnings (loss) from continuing operations per share of common stock.....	19	(2.11)	(1.65)	0.21
Basic and diluted loss per share of common stock.....	19	(2.11)	(3.47)	(0.65)
Basic and diluted weighted average number of shares of common stock.....	19	Number 3,044,227	Number 3,041,625	Number 3,040,310
Rental expense paid to related parties (included in selling, general and administrative expenses).....	10	US\$ 391,560	US\$ 372,457	US\$ 403,907

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

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE FISCAL YEARS ENDED MARCH 31, 2015, 2014 AND 2013

	Number of shares		Amounts								
	Common stock	Treasury stock	Common stock	Additional paid-in capital	Statutory reserves	Accumulated deficit	Treasury stock	Accumulated other comprehensive income (loss)	Total Global-Tech shareholders' equity	Non-controlling interests	Total equity
			US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	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
Net loss for the year.....	—	—	—	—	—	(10,555,557)	—	—	(10,555,557)	(108,044)	(10,663,601)
Other comprehensive income:											
• unrealized gain on available-for-sale investments, net of income tax of nil.....	—	—	—	—	—	—	—	5,300	5,300	—	5,300
• release of unrealized loss on available-for-sale investments, net of income tax of nil.....	—	—	—	—	—	—	—	(13,980)	(13,980)	—	(13,980)
• foreign currency translation adjustments.....	—	—	—	—	—	—	—	153,629	153,629	(176)	153,453
Total net comprehensive income (loss) .....	—	—	—	—	—	(10,555,557)	—	144,949	(10,410,608)	(108,220)	(10,518,828)
Shares issued upon stock options exercised...	3,000	—	120	14,130	—	—	—	—	14,250	—	14,250
Stock compensation expenses...	—	—	—	36,378	—	—	—	—	36,378	—	36,378
Transfer to statutory reserves....	—	—	—	—	101,868	(101,868)	—	—	—	—	—
Balance as of March 31, 2014	3,233,814	(189,587)	129,353	85,103,910	1,340,229	(26,590,366)	(4,663,321)	10,854,689	66,174,494	(384,491)	65,790,003



GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)  
FOR THE FISCAL YEARS ENDED MARCH 31, 2015, 2014 AND 2013

	Number of shares		Amounts								
	Common stock	Treasury stock	Common stock	Additional paid-in capital	Statutory reserves	Accumulated deficit	Treasury stock	Accumulated other comprehensive income (loss)	Total Global-Tech shareholders' equity	Non-controlling interests	Total equity
			US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance as of March 31, 2014	3,233,814	(189,587)	129,353	85,103,910	1,340,229	(26,590,366)	(4,663,321)	10,854,689	66,174,494	(384,491)	65,790,003
Net loss for the year.....	—	—	—	—	—	(6,420,878)	—	—	(6,420,878)	(55,012)	(6,475,890)
Other comprehensive income:											
• release of unrealized loss on available-for-sale investments, net of income tax of nil.....	—	—	—	—	—	—	—	(50,500)	(50,500)	—	(50,500)
• foreign currency translation adjustments.....	—	—	—	—	—	—	—	44,424	44,424	(183)	44,241
Total net comprehensive income (loss) .....	—	—	—	—	—	(6,420,878)	—	(6,076)	(6,426,954)	(55,195)	(6,482,149)
Stock compensation expenses...	—	—	—	4,517	—	—	—	—	4,517	—	4,517
Transfer from statutory reserves....	—	—	—	—	(11,946)	11,946	—	—	—	—	—
Balance as of March 31, 2015	<u>3,233,814</u>	<u>(189,587)</u>	<u>129,353</u>	<u>85,108,427</u>	<u>1,328,283</u>	<u>(32,999,298)</u>	<u>(4,663,321)</u>	<u>10,848,613</u>	<u>59,752,057</u>	<u>(439,686)</u>	<u>59,312,371</u>

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, 2015, 2014 AND 2013

	2015	2014	2013
	US\$	US\$	US\$
<u>Cash flows from operating activities:</u>			
Net loss .....	(6,475,890)	(10,663,601)	(2,071,259)
Plus: Income from discontinued operations, net of taxes.....	—	5,547,024	2,589,063
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization.....	101,929	103,117	100,243
Depreciation .....	3,665,474	2,759,120	2,006,276
(Gain) Loss on disposal of property, plant and equipment.....	37,094	(134,669)	43,311
Provision for impairment of property, plant and equipment .....	7,907	159,209	—
Stock compensation expense.....	4,517	36,378	258,128
Shares issued to an employee .....	—	—	9,108
Gain on disposal of available-for-sale investments .....	—	(1,052)	—
Realized gain on available-for-sale investments .....	—	(13,980)	—
Deferred tax.....	(8,001)	—	(21,861)
Foreign exchange .....	(34,275)	(36,076)	451,079
Changes in operating assets and liabilities:			
Accounts and bills receivable.....	754,445	(5,406,403)	11,305,230
Prepaid expenses .....	28,182	43,768	(136,367)
Deposits and other assets.....	97,222	(1,875,017)	37,744
Inventories.....	757,417	(2,096,040)	176,868
Accounts payable .....	1,746,421	5,481,337	(538,343)
Accrued salaries, allowances and other employee benefits.....	95,015	97,808	1,217,697
Other accrued liabilities.....	(654,305)	305,863	3,924,708
Amount due from a related party.....	—	6,272	(7,043)
Income tax payable.....	(208,400)	(423,781)	(1,495,465)
Cash provided by (used in) operating activities – continuing operations.....	(85,248)	(6,110,723)	17,849,117
Cash provided by (used in) operating activities – discontinued operations .....	—	427,326	(7,903,004)
Net cash provided by (used in) operations .....	(85,248)	(5,683,397)	9,946,113
<u>Cash flows from investing activities:</u>			
Proceeds from disposal of property, plant and equipment .....	—	163,683	160
Deposits paid for purchase of property, plant and equipment.....	12,818	68,940	(209,801)
Purchases of property, plant and equipment .....	(1,518,904)	(5,987,481)	(6,846,445)
Increase in time deposits .....	(1,324,318)	(11,339,515)	—
Proceeds from disposal of available-for-sale investments .....	1,000,000	18,218	2,000,000
Cash used in investing activities – continuing operations.....	(1,830,404)	(17,076,155)	(5,056,086)
Cash used in investing activities – discontinued operations .....	—	(32,682)	(260,517)
Net cash used in investing activities .....	(1,830,404)	(17,108,837)	(5,316,603)

GLOBAL-TECH ADVANCED INNOVATIONS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)  
FOR THE FISCAL YEARS ENDED MARCH 31, 2015, 2014 AND 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
<u>Cash flows from financing activities:</u>			
Receipts (Deposits) of restricted cash.....	(5,832,940)	10,738,758	(9,850,513)
Proceeds from (Repayments of) short-term bank loans.....	(513,390)	2,478,656	757,941
Proceeds from exercise of stock options.....	—	14,250	—
Cash dividend paid .....	—	—	(3,040,753)
	<u>(6,346,330)</u>	<u>13,231,664</u>	<u>(12,133,325)</u>
Cash provided by (used in) financing activities – continuing operations .....			
Cash used in financing activities – discontinued operations.....	—	—	—
Net cash provided by (used in) financing activities.....	<u>(6,346,330)</u>	<u>13,231,664</u>	<u>(12,133,325)</u>
Effect of foreign exchange rate changes on cash.....	(56,364)	(4,505)	96,458
Net decrease in cash and cash equivalents.....	(8,318,346)	(9,565,076)	(7,407,357)
Cash and cash equivalents at beginning of fiscal year.....	<u>22,820,300</u>	<u>32,385,376</u>	<u>39,792,733</u>
Cash and cash equivalents at end of fiscal year .....	<u>14,501,954</u>	<u>22,820,300</u>	<u>32,385,376</u>
<u>Supplemental disclosure information:</u>			
Cash paid for interest.....	240,587	137,687	109,749
Cash paid for taxes .....	<u>5,762</u>	<u>169,526</u>	<u>700,334</u>

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

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. 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 consolidated 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, 2015 were as follows:

Name	Place of incorporation/ registration	Percentage of equity interest attributable to the Company	Principal activities
Global Display Holdings Limited .....	British Virgin Islands	100	Investment holding
Kwong Lee Shun Trading Company Limited .....	Hong Kong	100	Leasing of a property
Consortium Investment (BVI) Limited .....	British Virgin Islands	100	Investment holding
GT Investments (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	Factory complex rental and maintenance
Guangdong Lite Array Company Limited (“DGLAD”) (formerly known as Dongguan Lite Array Company Limited) .....	PRC	100	Developing, manufacturing and marketing of electronic and optical components
Dongguan Microview Medical Technology Company Limited .....	PRC	100	Manufacturing and distribution of medical instruments
Joke Media Limited .....	PRC	100	Media services
Global Household Products Limited .....	Hong Kong	100	Inactive
Pentalpha Medical Limited .....	Hong Kong	100	Inactive
Pentalpha Hong Kong Limited .....	Hong Kong	100	Inactive
Global-Tech USA, Inc. ....	State of Delaware, U.S.A.	100	Provision of consultation services

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

(b) Basis of consolidation

The consolidated financial statements include the financial statements of Global-Tech and its subsidiaries. The fiscal year end date of Lite Array Holdings Limited (“Lite Array Holdings”), a jointly-controlled entity of the Company, is December 31. There have been no significant transactions in Lite Array Holdings and its subsidiaries which would materially affect the Company’s financial position and results of operations during each of the periods from Lite Array Holdings’ fiscal year end date to March 31, 2015, 2014 and 2013, 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 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 impairment, 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

During the fiscal years ended March 31, 2015, 2014 and 2013, 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 obligations to fund operations.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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

	<u>Annual rate</u>
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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 analysis is 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 and electronic manufacturing services ("EMS") business and equipment that has been leased to a third party 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 and EMS business and certain leased equipment, 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.

(m) Revenue recognition

The Company recognizes revenue 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.

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\$214,973, US\$151,027 and US\$223,682 from continuing operations for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. Whereas, nil, US\$5,074 and US\$7,489 were from discontinued operations for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.



GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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\$1,097,150, US\$498,068, and US\$366,001 from continuing operations (from discontinued operations 2015, 2014 and 2013: nil, US\$331,424 and US\$454,648) for the fiscal years ended March 31, 2015, 2014 and 2013, 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, 2015, 2014 and 2013, shipping and handling costs charged to SG&A were US\$177,792, US\$202,112 and US\$167,411 from continuing operations (from discontinued operations 2015: nil, 2014: US\$54,729 and 2013: US\$160,384), 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, 2015, 2014 and 2013, inbound freight costs charged to cost of goods sold were US\$37,591, US\$31,986 and US\$21,434 from continuing operations (from discontinued operations 2015: nil, 2014: nil and 2013: nil), respectively. Other related costs are included in manufacturing overheads.

(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 with 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 financial 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.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2015, the Company operated and managed its business in two segments. The Company exited the EMS business in December 2013 and home appliance business in January 2012 and thus the home appliance and EMS segments are presented as discontinued operations. 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.

(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\$871,000 for the year ended March 31, 2015 (2014: US\$869,734 and 2013: US\$403,627). 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 (expenses), net in the consolidated statement of operations and comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 any 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 the 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\$101,868 out of after-tax profit of its PRC subsidiaries to the statutory reserves for the year ended March 31, 2014. For the year ended March 31, 2015, US\$11,946 has been transferred out of the statutory reserve.

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.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

In March 2014, the FASB issued ASU 2014-06, “Technical Corrections and Improvements Related to Glossary Terms”. The amendments in this Update relate to glossary terms and cover a wide range of Topics in the Codification. These amendments are presented in four sections: Deletion of Master Glossary Terms (Section A), Addition of Master Glossary Term Links (Section B), Duplicate Master Glossary Terms (Section C), and Other Technical Corrections Related to Glossary Terms (Section D). The amendments in this Update do not have transition guidance and will be effective upon issuance for both public entities and nonpublic entities. The Company is currently evaluating the new pronouncement to determine the impact it may have on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). The amendments in ASU 2014-08 change the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, disposals representing a strategic shift in operations should be presented as discontinued operations. Additionally, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income and expenses of discontinued operations. The amendments in ASU 2014-08 are effective prospectively for all disposals (or classifications as held for sale) of components of an entity, and for all businesses that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The Company is currently evaluating the new pronouncement to determine the impact it may have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early application not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU and the Company is currently evaluating which transition approach to use. The Company is currently evaluating the new pronouncement to determine the impact it may have on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (“ASU 2014-12”). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early application permitted. Companies may use either a prospective or a retrospective approach to adopt this ASU and the Company is currently evaluating which transition approach to use. The Company is evaluating the new pronouncement to determine the impact it may have on its consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items (“ASU 2015-01”). The amendments in ASU 2015-01 eliminate from U.S. GAAP the concept of extraordinary items. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early application permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Companies may use either a prospective or a retrospective approach to adopt this ASU and the Company is currently evaluating which transition approach to use. The adoption of ASU 2015-01 is not expected to have a material impact on the Company’s consolidated financial statements.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”). The amendments in ASU 2015-02 change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this ASU are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in this ASU using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The adoption of ASU 2015-02 is not expected to have a material impact on the Company’s consolidated financial statements.

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

4. CASH AND CASH EQUIVALENTS

	March 31, 2015	March 31, 2014
	US\$	US\$
Cash on hand and at banks .....	11,306,011	15,942,867
Money market funds.....	3,195,943	6,877,433
Total cash and cash equivalents .....	<u>14,501,954</u>	<u>22,820,300</u>

The cash on hand and at bank balances in the PRC subsidiaries are denominated in Renminbi (“RMB”), United States dollars (“US\$”) and Hong Kong dollars (“HK\$”) with the total amount equivalent to RMB50,177,493 (equivalent to US\$8,087,014) and RMB76,953,161 (equivalent to US\$12,382,243) as of March 31, 2015 and 2014, respectively. Of these amounts, RMB37,943,526 (equivalent to US\$6,115,288) and RMB68,012,481 (equivalent to US\$10,943,631) are originally denominated in RMB as of March 31, 2015 and 2014, respectively. RMB is not freely convertible into other currencies; however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business. 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. TIME DEPOSITS

As of March 31, 2015, a time deposit of RMB75,368,750 (equivalent to US\$12,649,524) (as at March 31, 2014: RMB70,472,817, equivalent to US\$11,339,515) was deposited with a creditworthy bank with an original maturity of more than three months when acquired. The time deposit bore interest ranging from 4.0% to 4.4% per annum and matured during April and May 2015.

6. RESTRICTED CASH

As of March 31, 2015 and 2014, time deposits of RMB64,239,817 (equivalent to US\$9,850,930) and RMB24,943,500 (equivalent to US\$4,013,565) respectively were deposited with and pledged to banks to secure credit facilities granted to the Company, including revolving bank loans.

7. AVAILABLE-FOR-SALE INVESTMENTS

The following is a summary of available-for-sale debt and equity securities as of March 31, 2015 and 2014:

	Cost		Net unrealized gains		Fair values	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Current assets:						
Unlisted investments .....	—	1,000,000	—	50,500	—	1,050,500

During the fiscal year ended March 31, 2014, a gain of US\$1,052 was recognized on the disposal of the Company's listed equity securities in available-for-sale investments. During the fiscal years ended March 31, 2015 and 2013, no significant gain or loss was recognized on the disposal of the Company's available-for-sale investments.

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

7. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

Unlisted investments which have remaining terms of less than 1 year are measured at fair value using a price quoted by a third party, such as a broker or bank, at the balance sheet date.

The net unrealized gains consisted of gross unrealized gains as at March 31, 2015, 2014 and 2013 of nil, US\$50,500 and US\$61,054, respectively, and gross unrealized losses as at March 31, 2015, 2014 and 2013 of nil, nil and US\$1,839, respectively.

The proceeds from the disposal of available-for-sale investments for the fiscal years ended March 31, 2015, 2014 and 2013 were US\$1,000,000, US\$18,218 and US\$2,000,000, respectively.

As detailed in note 14 of the consolidated financial statements, the unlisted investments had been pledged to a bank as security for the short term bank loans of HK\$8,008,123 (equivalent to US\$1,032,334) (2015 and 2013: nil) granted to a Hong Kong subsidiary for the fiscal year ended March 31, 2014.

8. ACCOUNTS AND BILLS RECEIVABLE, NET

	March 31, 2015	March 31, 2014
	US\$	US\$
Accounts receivable .....	15,221,389	15,833,127
Less: Allowance for doubtful accounts .....	(90,617)	(74,413)
Accounts receivable, net.....	15,130,772	15,758,714
Bills receivable.....	5,362,900	5,458,170
Accounts and bills receivable, net.....	20,493,672	21,216,884

	Fiscal years ended		
	March 31, 2015	March 31, 2014	March 31, 2013
	US\$	US\$	US\$
Allowance for doubtful accounts:			
Balance at beginning of fiscal year .....	74,413	—	—
Additions .....	16,204	74,413	—
Balance at end of fiscal year .....	90,617	74,413	—

9. INVENTORIES

	March 31, 2015	March 31, 2014
	US\$	US\$
Raw materials.....	3,016,372	2,491,135
Work in progress.....	2,359,350	2,303,800
Finished goods.....	1,043,056	2,367,932
	6,418,778	7,162,867

For the fiscal years ended March 31, 2015, 2014 and 2013, a write-down of inventories to fair market value of US\$896,534, US\$804,256 and US\$867,312, respectively, was recognized in the consolidated statement of operations and comprehensive income, of which nil were included in income (loss) from discontinued operations.



GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. RELATED PARTY TRANSACTIONS

A related party is any party that controls, jointly controls or can significantly influence the management or operating policies of the Company. Such parties would also include affiliates, investments accounted for by the equity method, principal shareholders, management, directors and the immediate family members of principal shareholders, management or directors.

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements for the fiscal years ended March 31, 2015, 2014 and 2013, 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, 2015, 2014 and 2013 of approximately US\$58,811, US\$57,241 and US\$57,245, respectively. These expenses were payable to a related company of which a shareholder is also director of Global-Tech in fiscal 2015, 2014 and 2013.

The Company incurred annual real estate rental expenses for the fiscal years ended March 31, 2015, 2014 and 2013 of approximately US\$332,749, US\$315,216 and US\$346,662, respectively, payable to a director of Global-Tech and certain related companies of which one of their directors is also a director of Global-Tech. Included in the aforesaid annual real estate rental expenses were amounts of US\$239,889, US\$239,796 and US\$239,811 paid to a director of Global-Tech, during the fiscal years ended March 31, 2015, 2014 and 2013, respectively, which were included in his remuneration for the respective fiscal years as housing allowances.

The amount due from a related party, of which one of the directors of Global-Tech was a shareholder as of March 31, 2015, 2014 and 2013, is unsecured, interest-free and has no fixed term of payment.

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

11. PROPERTY, PLANT AND EQUIPMENT, NET

	March 31, 2015	March 31, 2014
	US\$	US\$
Leasehold improvements and buildings .....	33,007,390	32,953,940
Plant and machinery .....	28,542,918	28,072,532
Moulds.....	784,691	617,380
Transportation equipment.....	1,536,897	1,527,750
Furniture, fixtures and equipment .....	4,648,018	4,541,432
Construction in progress.....	1,596,854	1,259,572
	<u>70,116,768</u>	<u>68,972,606</u>
Less: Accumulated depreciation.....	(45,941,523)	(42,655,648)
Property, plant and equipment, net.....	<u>24,175,245</u>	<u>26,316,958</u>

- (a) During the fiscal years ended March 31, 2015, 2014 and 2013, impairment losses relating to property, plant and equipment of US\$7,907, US\$2,103,780 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. Impairment losses of US\$1,944,571 were recognized in "Income (Loss) from discontinued operations" during the fiscal years ended March 31, 2014.
- (b) As of March 31, 2015 and 2014, a building with aggregate net book values of approximately US\$12,135 and US\$13,094, respectively, was situated in Hong Kong and buildings and manufacturing facilities with aggregate net book values of approximately US\$11,662,415 and US\$13,065,398, 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, 2015, the Company has obtained a sizable portion of the property ownership certificates for its buildings (29 out of a total of 40 properties) (up to March 31, 2014: 29 out of a total of 40). 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, 2015, 2014 and 2013 were US\$3,665,474, US\$3,957,964 and US\$3,342,484, respectively, of which, nil, US\$1,198,844 and US\$1,336,208 were included in "Income (Loss) from discontinued operations" for the fiscal years ended March 31, 2015, 2014 and 2013 respectively.
- (d) The gains on disposal of property, plant and equipment recognized during the fiscal years ended March 31, 2014 and 2013 were US\$11,322 and US\$463,358, respectively and losses on disposal of property, plant and equipment of US\$37,094 were recognized during the fiscal year ended March 31, 2015. For the fiscal year ended March 31, 2014, the Company recognized a gain on disposal of property, plant and equipment of US\$134,669 which was included in income (loss) from continuing operations. For the fiscal years ended March 31, 2015 and 2013, losses on disposal of property, plant and equipment of US\$37,094 and US\$43,311 respectively, were recognized in income (loss) from continuing operations.
- (e) The amount of additions to property, plant and equipment during the fiscal years ended March 31, 2015, 2014 and 2013 were US\$1,502,775, US\$6,020,163 and US\$7,613,631, respectively. The additions in fiscal 2015 and 2013 were primarily from the expansion of existing clean room space and purchase of equipment and machinery related to the chip-on-board ("COB") facility. The additions in fiscal 2014 were primarily from the acquisition of new office space in Shenzhen, the PRC.
- (f) As of March 31, 2015, the Company has pledged certain of its buildings situated in Mainland China with a total area of 80,810 square meters with net book value of US\$20,727,195 to a bank to secure credit facilities granted to the Company.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. LAND USE RIGHTS, NET

Land use rights represent prepayments under operating leases for land use for a predetermined time period. They are charged to the consolidated statement of operations 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 the PRC 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\$9,533) to the Dongguan local government for the period from January 1, 2008 to December 31, 2008 and RMB193,048 (approximately US\$31,063) from January 1, 2009 onwards until August 6, 2043. Up to March 31, 2015, 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 (up to March 31, 2014: 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 11 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.

13. WARRANTY PROVISION

Included in other accrued liabilities are warranty provisions of US\$871,000, US\$869,734 and US\$403,627 as of March 31, 2015, 2014 and 2013, respectively, none of which are from discontinued operations. The Company's warranty activity during the fiscal years ended March 31, 2015, 2014 and 2013 is summarized below:

	Fiscal years ended		
	March 31, 2015	March 31, 2014	March 31, 2013
	US\$	US\$	US\$
Balance at beginning of fiscal year .....	869,734	403,627	729,528
Additional provision.....	173,500	485,229	—
Reversal of unutilized amounts .....	(172,234)	(19,122)	(325,901)
Balance at end of fiscal year.....	<u>871,000</u>	<u>869,734</u>	<u>403,627</u>

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 in aggregate of HK\$10.0 million (equivalent to US\$1,289,557) 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. As of March 31, 2015, the Company has pledged certain of its buildings situated in Mainland China with total area of 80,810 square meters to a bank to secure credit facilities to the Company.

The Company has credit facilities with a number of banks amounting to the equivalent of US\$17,848,862 and US\$13,212,260 as of March 31, 2015 and 2014 respectively. Of these amounts, HK\$10.0 million (equivalent to US\$1,289,557) and HK\$10.0 million (equivalent to US\$1,289,108) were denominated in Hong Kong dollars as of March 31, 2015 and 2014, respectively.

Of the credit facilities, the Company utilized an equivalent amount of US\$10,283,119 as of March 31, 2015 compared to an equivalent amount of US\$7,280,676 utilized as of March 31, 2014.

Banking facilities of amount equivalent to US\$7,565,743 and US\$5,931,584 remained unutilized as of March 31, 2015 and 2014, respectively.

The weighted average interest rate of the bank loans for the years ended March 31, 2015 and 2014 was 0.73% and 0.55% per annum respectively with an average maturity of 38 and 74 days from March 31, 2015 and 2014, 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>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
Foreign exchange gains (losses), net .....	49,244	(121,990)	23,900
Gains (Losses) on disposal of property, plant and equipment .....	(37,094)	11,322	463,358
Impairment of property, plant and equipment .....	(7,907)	(2,103,780)	—
Rental income from third parties .....	957,409	1,292,903	177,556
Management fee received from a third party .....	52,297	77,944	—
Reversal of (Accrual for) potential tax surcharge, net .....	(119,873)	130,328	(60,622)
Government grants .....	1,044,683	837,656	443,468
Sale of scrap materials .....	128,037	533	213,718
Others .....	79,312	311,388	310,201
	<u>2,146,108</u>	<u>436,304</u>	<u>1,571,579</u>

Other income (expenses), net from:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
Continuing operations .....	2,146,108	2,396,789	583,315
Discontinued operations .....	—	(1,960,485)	988,264
	<u>2,146,108</u>	<u>436,304</u>	<u>1,571,579</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 the PRC.

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, 2015, 2014 and 2013.

The Company’s subsidiaries registered in the PRC, including DWS and DGLAD, are subject to the PRC enterprise income tax (“EIT”) 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 the PRC 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 EIT law was approved and became effective on January 1, 2008 (“New EIT Law”). 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 EIT 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 2015, 2014 and 2013 remained 25%.

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

17. INCOME TAXES (continued)

Income tax benefit consists of:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
Continuing Operations			
Income tax benefit:			
Current .....	(201,045)	(255,927)	(820,039)
Deferred .....	(8,001)	—	(21,861)
Total income tax benefit.....	<u>(209,046)</u>	<u>(255,927)</u>	<u>(841,900)</u>

No income tax expense (benefit) had been charged for discontinued operations in fiscal 2015, 2014 and 2013. 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>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
Income tax benefit at the Hong Kong statutory income tax rate.....	(1,103,014)	(1,801,722)	(480,671)
Foreign rate differential .....	44,121	(299,512)	30,822
Non-taxable other income.....	(76,228)	(227,440)	(386,664)
Non-tax deductible expenses .....	351,052	1,035,101	670,389
Overprovision of tax in prior periods.....	(367,790)	(695,630)	(1,314,491)
Unrecognized tax benefits .....	156,288	278,338	223,959
Changes in valuation allowance.....	786,525	1,454,938	414,756
Total income tax benefit at the Company's effective income tax rate .....	<u>(209,046)</u>	<u>(255,927)</u>	<u>(841,900)</u>
Hong Kong statutory income tax rate .....	16.5%	16.5%	16.5%
Effective income tax rate .....	<u>3.1%</u>	<u>2.3%</u>	<u>28.9%</u>

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

17. INCOME TAXES (continued)

Deferred tax assets and liabilities as of March 31, 2015 and 2014 comprise the following:

	March 31, 2015	March 31, 2014
	US\$	US\$
Deferred tax assets:		
Impairment of property, plant and equipment.....	2,293,850	2,318,586
Provision for inventories.....	340,221	238,730
Provision for warranty .....	217,750	217,434
Operating losses carried forward .....	4,529,238	4,391,655
Gross deferred tax assets.....	7,381,059	7,166,405
Less: Valuation allowance for deferred tax assets .....	(7,378,244)	(7,166,405)
Net deferred tax assets .....	2,815	—
Deferred tax liabilities:		
Tax over book depreciation of property, plant and equipment .....	—	(5,183)
Total deferred tax liabilities .....	—	(5,183)

	Fiscal years ended		
	March 31, 2015	March 31, 2014	March 31, 2013
	US\$	US\$	US\$
Valuation allowance:			
Balance at beginning of fiscal year .....	7,166,405	5,757,984	5,185,404
Additions.....	185,874	1,454,938	414,756
Exchange realignment.....	25,965	(46,517)	157,824
Balance at end of fiscal year .....	7,378,244	7,166,405	5,757,984

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, 2015 and 2014, the Company had tax losses carried forward of US\$26,619,644 and US\$25,530,406, respectively, which included tax losses of US\$6,447,281 and US\$5,591,707 respectively that are available indefinitely for offsetting against future taxable income of the companies in which these losses arose. Tax losses of US\$20,172,364 and US\$19,938,699 as at March 31, 2015 and 2014, 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, 2015 and 2014, exclusive of related interest and penalties, is as follows:

	Fiscal years ended	
	March 31, 2015	March 31, 2014
	US\$	US\$
Balance at beginning of fiscal year.....	8,589,164	8,870,677
Additions based on tax positions related to the current year .....	630,012	422,094
Reduction for tax positions related to prior year .....	(217,785)	(700,780)
Exchange realignment .....	7,256	(2,827)
Balance at end of fiscal year.....	9,008,647	8,589,164

17. INCOME TAXES (continued)

As of March 31, 2015 and 2014, the Company's unrecognized tax benefits under FASB ASC 740 of US\$4,399,828 and US\$4,454,069, respectively, are presented in the consolidated balance sheets within income tax payable. The remaining balance of US\$4,608,819 and US\$4,135,095 as of March 31, 2015 and 2014, respectively, are set off against the corresponding tax losses carried forward.

If the unrecognized tax benefits under FASB ASC 740 as of March 31, 2015 were realized in a future period, these would result in a tax benefit of US\$4,399,828 (US\$4,454,069 as of March 31, 2014) 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, 2014 and 2013, the Company reversed interest and potential penalties of US\$213,976 and US\$1,021,397, respectively, relating to certain uncertain tax positions in its consolidated statement of operations and comprehensive income. For the fiscal year ended March 31, 2015, the Company accrued interest and potential penalties of US\$122,091 relating to certain uncertain tax positions in its consolidated statement of operations and comprehensive income. As of March 31, 2015 and 2014, the Company had accrued interest and potential penalties relating to uncertain tax positions amounting to US\$559,313 and US\$436,920, 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 total amount of penalty and interest paid was 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 cannot 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 2006 through 2015 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 EMS business in December 2013.

In the fiscal periods preceding the Company's exit from the EMS 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 for this business in recent years approached unacceptable levels, with the EMS segment actually suffering significant losses in fiscal 2013.

In response to the foregoing, on December 15, 2013, the Board of Directors approved plans to exit the EMS business in fiscal 2014 while active production for the EMS business ceased in December 2013.



GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. DISCONTINUED OPERATIONS (continued)

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

	2015	2014	2013
	US\$	US\$	US\$
Net Sales.....	—	2,922,127	14,256,315
Cost of goods sold.....	—	(4,323,267)	(13,962,647)
Gross profit (loss).....	—	(1,401,140)	293,668
Selling, general and administrative expenses.....	—	(2,185,399)	(3,870,995)
Operating loss.....	—	(3,586,539)	(3,577,327)
Other income (expense), net.....	—	(1,960,485)	988,264
Income tax expenses.....	—	—	—
Loss from discontinued operations, net of tax.....	—	(5,547,024)	(2,589,063)

Impairment losses of US\$1,944,571 were recognized in the loss from discontinued operations in fiscal 2014 for machinery and equipment that were used in the operations of the EMS segment and home appliance segment. No impairment loss was recognized in fiscal 2015 and 2013.

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

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, 2015, 2014 and 2013 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>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
Numerator for basic and diluted earnings (loss) per share:			
Income (Loss) from continuing operations.....	(6,475,890)	(5,116,577)	517,804
Income from continuing operations attributable to non-controlling interests .....	55,012	108,044	107,958
Income (Loss) from continuing operations attributable to shareholders of Global-Tech Advanced Innovations Inc. ....	(6,420,878)	(5,008,533)	625,762
Loss from discontinued operations .....	—	(5,547,024)	(2,589,063)
Net loss attributable to common stockholders .....	<u>(6,420,878)</u>	<u>(10,555,557)</u>	<u>(1,963,301)</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>
Denominator for basic and diluted earnings (loss) per share:			
Weighted average number of shares of common stock.....	<u>3,044,227</u>	<u>3,041,625</u>	<u>3,040,310</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Basic and diluted earnings (loss) per share:			
Earnings (Loss) from continuing operations.....	(2.11)	(1.65)	0.21
Loss from discontinued operations .....	—	(1.82)	(0.86)
Loss attributable to common stockholder .....	<u>(2.11)</u>	<u>(3.47)</u>	<u>(0.65)</u>

330,001 and 343,751 stock options of Global-Tech were excluded from the computation of diluted earnings (loss) per share for the fiscal years ended March 31, 2015 and 2014 respectively, because their inclusion would have been anti-dilutive.

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

20. COMMITMENTS

(a) Capital commitments

As of March 31, 2015 and 2014, the Company had capital commitments contracted but not provided for of US\$205,435 and US\$126,792, respectively, for the purchase of property, plant and equipment.

(b) Operating lease commitments

In addition to the land use rights described in note 12 to the 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 12 to the consolidated financial statements, for the fiscal years ended March 31, 2015, 2014 and 2013 of US\$185,369, US\$247,234 and US\$361,918, respectively. The Company has leased out certain manufacturing facilities and machineries to third parties, and recorded gross lease rental income of US\$3,444,186, US\$1,292,903 and US\$177,556 for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
	US\$	US\$
Payable:		
Within one year .....	349,073	381,394
Over one year but not exceeding two years.....	342,386	352,290
Over two years but not exceeding three years.....	342,386	352,290
Over three years but not exceeding four years .....	342,386	352,290
Over four years but not exceeding five years.....	342,386	352,290
Over five years .....	7,989,011	8,572,401
	<u>9,707,628</u>	<u>10,362,955</u>

Subsequent to March 31, 2015, a subsidiary renewed the tenancy agreement with a related company and extended the leasing term for one year to March 31, 2016, with future lease payments due of US\$92,848 not reflected in the table above.

Future minimum rentals receivable under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
	US\$	US\$
Receivable:		
Within one year .....	2,965,169	511,923
Over one year but not exceeding two years.....	2,334,949	—
Over two years but not exceeding three years.....	2,205,811	—
Over three years but not exceeding four years .....	2,141,196	—
	<u>9,647,125</u>	<u>511,923</u>

## 21. CONTINGENCIES

As of March 31, 2015, the Company has accrued as a current liability US\$4,399,828 (as of March 31, 2014: US\$4,454,069) for unrecognized tax benefits and US\$559,313 (as of March 31, 2014: US\$436,920) for 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, 2015	March 31, 2014
	US\$	US\$
Accrued expenses .....	2,761,586	2,568,678
Other tax payable .....	1,136,293	832,050
Land use right payable – operating lease.....	1,041,140	1,119,005
Other payables for procuring materials for customers .....	—	40,278
Rental deposits received.....	639,512	240,247
Other payables for procuring equipment and consumables .....	175,533	397,441
Other payable .....	530,018	523,058
	<u>6,284,082</u>	<u>5,720,757</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 employees contribute the lower of 5% of the employees’ basic salary and HK\$1,500 (approximately US\$193), subject to a cap of a monthly basic salary of HK\$30,000 (approximately US\$3,869). 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 employees contribute 5% of the employees’ basic salary.

The costs of these schemes recognized during the fiscal years ended March 31, 2015, 2014 and 2013 were US\$50,394, US\$52,119 and US\$48,075, respectively.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. EMPLOYEE BENEFITS (continued)

According to the relevant laws and regulations in the PRC, the Company is required to contribute 16.8% (reduced from 17.3% effective from January 2015) of the stipulated employee salary set by the local government of Dongguan for 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 and provided for by the Company for all benefits for factory employees were US\$1,037,248, US\$879,811 and US\$1,963,173 during the fiscal years ended March 31, 2015, 2014 and 2013 respectively.

24. SEGMENT INFORMATION

The Company operates in two segments: Electronic Components and Others for the fiscal year ended March 31, 2015. 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 semiconductors ("CMOS") CCMs primarily for sale to cellular phone and tablet manufacturers in the PRC. 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, 2015, 2014 and 2013.

As stated in note 18 – "Discontinued Operations", the EMS and home appliance segments were discontinued effective in December 2013 and January 2012 respectively. The results of operations of the EMS segment and home appliance segment have been classified as "Income (Loss) from discontinued operations" on the face of the consolidated statement of operations and comprehensive income for all years presented. The home appliance segment profit for fiscal year ended March 31, 2013 represented sales of equipment 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 two reportable segments and discontinued segments:

	Home Appliance#	Electronic Components	EMS#	Others	Corporate	Combined
	US\$	US\$	US\$	US\$	US\$	US\$
<b>As of or for the fiscal year ended March 31, 2015</b>						
Revenues from external customers.....	—	75,891,185	—	2,129,670	—	78,020,855
Capital expenditure .....	—	1,474,896	—	27,879	—	1,502,775
Interest income .....	—	—	—	—	682,045	682,045
Interest expense .....	—	(213,862)	—	(27,013)	(2,217)	(243,092)
Depreciation and amortization .....	—	1,382,540	—	1,903,109	481,262	3,766,911
Segment loss.....	—	(3,881,464)	—	(1,210,163)	(1,329,251)	(6,420,878)
Total assets .....	—	41,822,978	—	5,808,714	47,352,068	94,983,760
<b>As of or for the fiscal year ended March 31, 2014</b>						
Revenues from external customers.....	—	60,574,912	2,922,127	2,117,989	—	65,615,028
Capital expenditure .....	—	5,836,735	32,682	148,269	2,477	6,020,163
Interest income .....	—	—	—	—	822,826	822,826
Interest expense .....	—	(129,775)	—	—	(7,913)	(137,688)
Depreciation and amortization .....	—	1,154,231	1,198,844	379,122	1,328,884	4,061,081
Segment loss.....	—	(1,107,157)	(5,547,024)*	(1,502,779)	(2,398,597)	(10,555,557)
Total assets .....	—	42,999,530	52,202	1,160,087	55,456,124	99,667,943
<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 .....	—	—	—	—	1,663,714	1,663,714
Interest expense .....	—	(109,749)	—	—	(49,799)	(159,548)
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

# As discussed in note 18, the EMS and Home Appliance segments were discontinued in December 2013 and in January 2012 respectively. The results of the operations have been classified as discontinued operations on the face of the consolidated statement of operations and comprehensive income.

\* Impairment losses of US\$1,944,571 were recognized in income (loss) from discontinued operations for machinery and equipment that was used in the operations of the EMS segment in fiscal 2014. No impairment loss was recognized in fiscal 2013.

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

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>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
Australia.....	330,873	307,996	533,077
Europe.....	65,976	139,694	326,298
North America.....	41,429	23,735	49,423
Asia.....	77,391,698	65,143,603	80,174,586
Other regions.....	190,879	—	—
	<u>78,020,855</u>	<u>65,615,028</u>	<u>81,083,384</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
Kitchen appliances.....	330,873	307,996	533,077
CCMs and related products.....	75,351,945	59,795,999	63,913,523
Cellular phone assembly services.....	652	3,093,146	14,256,314
Others.....	2,337,385	2,417,887	2,380,470
	<u>78,020,855</u>	<u>65,615,028</u>	<u>81,083,384</u>

(d) Long-lived assets\*

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
	US\$	US\$
Hong Kong.....	54,520	91,792
Mainland China.....	26,947,236	29,148,590
	<u>27,001,756</u>	<u>29,240,382</u>

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

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

24. SEGMENT INFORMATION (continued)

(e) Major customers

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	US\$	US\$	US\$
From continuing operations:			
Lenovo Mobile Communication Technology Ltd. ("Lenovo").....	7,281,584	21,688,510	26,799,405
Wingtech Group ("Wingtech") .....	<u>8,410,214</u>	<u>8,000,133</u>	<u>4,477,345</u>

During the fiscal years ended March 31, 2015, 2014 and 2013, 9.3%, 33.0% and 33.0%, respectively of the Company's combined net sales including discontinued operations were made to Lenovo, which is an unrelated customer. As of March 31, 2015, 2014 and 2013, 12.5%, 33.3% and 34.2%, 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, 2015, 2014 and 2013, 10.8%, 12.2% and 5.52%, respectively of the Company's combined net sales including discontinued operations were made to Wingtech, which is an unrelated customer. As of March 31, 2015, 2014 and 2013, 12.4%, 13.8% and 5.8%, respectively of the Company's total accounts and bills receivable were from Wingtech. Wingtech is a customer of the Company's electronic components segment.



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, time deposits, restricted cash, available-for-sale investments, financial assets included in deposits and other assets and accounts and bills receivable.

Substantially all of the Company's cash and cash equivalents, time deposits, restricted cash, interest receivable, and available-for-sale investments were financial assets that management believes are of high credit quality.

The Company's concentration on a limited number of customers will continue to represent a substantial portion of our sales for the foreseeable future. The loss of any major customers or a decrease or delay in 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 business is 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 its 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, time deposits, 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.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, 2015 and 2014. There were no material unrecognized financial assets and liabilities as of March 31, 2015 and 2014.

	Carrying value		Fair value	
	2015	2014	2015	2014
	US\$	US\$	US\$	US\$
<b>Current financial assets:</b>				
Cash and cash equivalents .....	14,501,954	22,820,300	14,501,954	22,820,300
Time deposits.....	12,649,524	11,339,515	12,649,524	11,339,515
Restricted cash .....	9,850,930	4,013,565	9,850,930	4,013,565
Available-for-sale investments .....	—	1,050,500	—	1,050,500
Accounts and bills receivable, net .....	20,493,672	21,216,884	20,493,672	21,216,884
Financial assets included in deposits and other assets .....	1,538,102	586,022	1,538,102	586,022
Amount due from a related party .....	15,475	12,569	15,475	12,569
<b>Total financial assets .....</b>	<b>59,049,657</b>	<b>61,039,355</b>	<b>59,049,657</b>	<b>61,039,355</b>
	Carrying value		Fair value	
	2015	2014	2015	2014
	US\$	US\$	US\$	US\$
<b>Current financial liabilities:</b>				
Short term bank loans .....	6,780,394	7,279,629	6,780,394	7,279,629
Accounts and bills payable .....	14,248,741	12,520,080	14,248,741	12,520,080
Accrued salaries, allowances and other employee benefits .....	3,077,943	2,980,622	3,077,943	2,980,622
Other accrued liabilities .....	6,284,082	5,720,757	6,284,082	5,720,757
<b>Total financial liabilities.....</b>	<b>30,391,160</b>	<b>28,501,088</b>	<b>30,391,160</b>	<b>28,501,088</b>

The carrying amounts of the Company's cash and cash equivalents, time deposits, restricted cash, accounts and bills receivable, financial assets included in deposits and other assets, amounts due from a related party, short term bank loans, 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, time deposits 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\$59,049,657 and US\$61,039,355 as at March 31, 2015 and 2014, respectively.

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, 2015 and 2014 are summarized below:

	Fair Value Measurements	
	March 31, 2015	March 31, 2014
	Quoted prices in active markets for identical assets	
	US\$	US\$
<b>Assets</b>		
Level 2:		
Available-for-sale investments:		
Unlisted investments.....	—	1,050,500
Total financial assets measured at fair value .....	—	1,050,500

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” or “ISO”) 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 of Global-Tech, or a committee of directors 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 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

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

28. STOCK COMPENSATION (continued)

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 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.

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.

During fiscal 2014, an aggregate of 65,500 options with exercise prices of US\$30.40 to US\$30.56 expired.

During fiscal 2015, no options were granted and none were forfeited.

(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) ISO within the meaning of Section 422 of the Code; (ii) non-qualified stock options that do not qualify as ISO ("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 2014 and 2013, no options were granted and none were forfeited.

During the fiscal year ended March 31, 2015, no shares were granted and 20,000 options with exercise price of US\$8.99 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 the 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 of Global-Tech (the "Committee") will administer the Omnibus Plan. Unless otherwise determined by the Board of Directors of Global-Tech, 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

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

28. STOCK COMPENSATION (continued)

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

Company's shareholders, 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.

During 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.

During the fiscal year ended March 31, 2014, no shares were granted and 3,000 options which had been granted to a director were exercised.

During fiscal 2015, no options were granted and none were forfeited.

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, 2015, 2014 and 2013 amounted to US\$4,517, US\$36,378 and US\$258,128, respectively.

Changes in outstanding options under the 1997 Plan, the 2005 Plan and the Omnibus Plan during the fiscal years ended March 31, 2015, 2014 and 2013 are as follows:

	2015				
	Number of options	Range of exercise price	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		US\$ (per share)	US\$ (per share)	(years)	US\$
Outstanding, at beginning of fiscal year	351,251	4.75 – 15.56	12.14	3.91	—
Granted.....	—	—	—		
Expired.....	—	—	—		
Exercised.....	—	—	—		
Forfeited.....	(20,000)	8.99	8.99		
Outstanding, at end of fiscal year.....	<u>331,251</u>	4.75 – 15.56	12.33	2.80	—
Vested and expected to be vested at					
March 31, 2015.....	<u>331,251</u>	4.75 – 15.56	12.33	2.80	—
Exercisable, at end of fiscal year.....	<u>330,001</u>	4.75 – 15.56	12.36	2.78	

GLOBAL-TECH ADVANCED INNOVATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. STOCK COMPENSATION (continued)

Changes in outstanding options under both the 1997 Plan, the 2005 Plan and the Omnibus Plan during the fiscal years ended March 31, 2015, 2014 and 2013 are as follows: (continued)

	2014				
	Number of options	Range of exercise price	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		US\$ (per share)	US\$ (per share)	(years)	US\$
Outstanding, at beginning of fiscal year .....	419,751	4.75 – 30.56	14.96	4.28	—
Granted .....	—	—	—		
Expired .....	(65,500)	30.40 – 30.56	30.55		
Exercised .....	(3,000)	4.75	4.75		
Forfeited .....	—	—	—		
Outstanding, at end of fiscal year .....	<u>351,251</u>	4.75 – 15.56	12.14	3.91	—
Vested and expected to be vested at March 31, 2014.....	<u>351,251</u>	4.75 – 15.56	12.14	3.91	—
Exercisable, at end of fiscal year .....	<u>343,751</u>	4.75 – 15.56	12.22	3.85	
	2013				
	Number of options	Range of exercise price	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		US\$ (per share)	US\$ (per share)	(years)	US\$
Outstanding, at beginning of fiscal year .....	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	

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, directors, 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.

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

28. STOCK COMPENSATION (continued)

Changes in stock grants during the fiscal years ended March 31, 2015, 2014 and 2013 are as follows:

	2015		2014		2013	
	Stock	Weighted average grant-date fair value	Stock	Weighted average grant-date fair value	Stock	Weighted average grant-date fair value
		US\$		US\$		US\$
Non-vested, at beginning of fiscal year .....	—	—	—	—	750	10,380
Granted.....	—	—	—	—	—	—
Vested.....	—	—	—	—	(750)	10,380
Non-vested, at end of fiscal year .....	—	—	—	—	—	—

The total fair value of the 750 shares of common stock vested during the fiscal year ended March 31, 2013 was US\$6,503.

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, 2015, 2014 and 2013 amounted to nil, nil and US\$9,108 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, 2015 are as follows:

Number of options	Options outstanding as of March 31, 2015				Options exercisable as of March 31, 2015	
	Range of exercise price per option	Weighted average remaining contractual life	Weighted average exercise price per option	Number of options	Weighted average exercise price per option	
	US\$ (per share)	(years)	US\$ (per share)		US\$ (per share)	
83,000	4.75	7.31	4.75	81,750	4.75	
248,251	13.20– 15.60	1.29	14.87	248,251	14.87	
<u>331,251</u>				<u>330,001</u>		

As of March 31, 2015, 2014 and 2013, there was no unrecognized share-based compensation cost relating to stock granted to an employee under the 1999 Employee Stock Purchase Plan. 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:

	2015	2014	2013
Risk-free Interest Rate .....	—	—	0.97% -1.50%
Expected Dividend Yield.....	—	—	0%
Expected Option Life.....	—	—	7 – 10 years
Expected Stock Price Volatility .....	—	—	53.28% - 58.71%

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 RMB281,595,535 (approximately US\$45,378,125) as of March 31, 2015.

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

**Balance sheets**

	March 31, 2015	March 31, 2014
	US\$	US\$
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	3,643,139	6,719,079
Time deposits.....	7,008,639	11,339,515
Restricted cash.....	5,000,000	—
Available-for-sale investments .....	—	1,050,500
Prepaid expenses.....	15,142	17,803
Deposits and other assets .....	47,388	302,107
Total current assets.....	15,714,308	19,429,004
Interests in subsidiaries .....	43,727,227	46,474,157
Total assets .....	59,441,535	65,903,161
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Other accrued liabilities .....	129,164	113,158
Total liabilities.....	129,164	113,158
Shareholders' equity:		
Common stock, par value US\$0.04 per share; 12,500,000 shares authorized; 3,233,814 shares issued as of March 31, 2015 and 2014 .....	129,353	129,353
Preferred stock, par value US\$0.04 per share; 250,000 shares authorized; no shares issued.....	—	—
Additional paid-in capital .....	85,108,427	85,103,910
Statutory reserves.....	1,328,283	1,340,229
Accumulated deficit.....	(32,999,298)	(26,590,366)
Accumulated other comprehensive income .....	10,848,613	10,854,689
Less: Treasury stock, at cost, 189,587 shares as of March 31, 2015 and 2014.	(4,663,321)	(4,663,321)
Total Global-Tech Advanced Innovations Inc. shareholders' equity.....	59,752,057	66,174,494
Non-controlling interests .....	(439,686)	(384,491)
Total equity .....	59,312,371	65,790,003
Total liabilities and shareholders' equity.....	59,441,535	65,903,161



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,		
	2015	2014	2013
	US\$	US\$	US\$
Net sales .....	—	—	—
Cost of goods sold.....	—	—	—
Gross profit.....	—	—	—
Selling, general and administrative expenses.....	(758,350)	(887,346)	(1,071,502)
Operating loss.....	(758,350)	(887,346)	(1,071,502)
Interest income, net .....	401,895	359,062	344,582
Equity in losses of subsidiaries .....	(6,149,258)	(7,308,381)	(484,185)
Other income (expense), net.....	84,835	(2,718,892)	(752,196)
Net loss attributable to shareholders of Global-Tech Advanced Innovations Inc. ....	(6,420,878)	(10,555,557)	(1,963,301)
Other comprehensive income			
Foreign currency translation adjustments.....	44,424	153,629	989,800
Release of unrealized loss on available-for-sale investments, net of income tax of nil, upon disposal.....	(50,500)	(13,980)	—
Unrealized gain on available-for-sale investments, net of income tax of nil .....	—	5,300	22,495
Total comprehensive loss attributable to shareholders of Global-Tech Advanced Innovations Inc. ....	(6,426,954)	(10,410,608)	(951,006)

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

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

**Statements of cash flows**

	Fiscal years ended March 31,		
	2015	2014	2013
	US\$	US\$	US\$
<u>Cash flows from operating activities:</u>			
Net loss attributable to shareholders of Global-Tech Advanced Innovations Inc. ....	(6,420,878)	(10,555,557)	(1,963,301)
Adjustments to reconcile net loss attributable to shareholders of Global-Tech Advanced Innovations Inc. to net cash provided by operating activities:			
Stock compensation expense .....	4,517	36,378	258,128
Shares issued to an employee .....	—	—	9,108
Equity in losses of subsidiaries .....	6,149,258	7,308,381	484,185
<u>Changes in operating assets and liabilities:</u>			
Prepaid expenses .....	2,661	29,100	(3,693)
Deposits and other assets .....	254,719	(262,020)	(15,364)
Other accrued liabilities .....	16,006	21,044	(109,369)
Net cash provided by (used in) operating activities.....	6,283	(3,422,674)	(1,340,306)
<u>Cash flows from investing activities:</u>			
Proceeds from disposal of available-for-sale investments.....	1,000,000	—	2,000,000
Repayment of amounts due from (advances to) subsidiaries, net.....	(3,413,099)	2,061,153	910,372
Increase in time deposits .....	4,330,876	(11,339,515)	—
Capital injection into subsidiaries .....	—	—	(1,107,753)
Net cash provided by (used in) investing activities .....	1,917,777	(9,278,362)	1,802,619
<u>Cash flows from financing activities:</u>			
Proceeds from stock options exercised.....	—	14,250	—
Cash dividend paid .....	—	—	(3,040,753)
Deposits of restricted cash.....	(5,000,000)	—	—
Net cash provided by (used in) financing activities.....	(5,000,000)	14,250	(3,040,753)
Net decrease in cash and cash equivalents .....	(3,075,940)	(12,686,786)	(2,578,440)
Cash and cash equivalents at beginning of fiscal year .....	6,719,079	19,405,865	21,984,305
Cash and cash equivalents at end of fiscal year.....	3,643,139	6,719,079	19,405,865

(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.

# SHAREHOLDER INFORMATION

## BOARD OF DIRECTORS

John C.K. Sham  
President, Chief Executive Officer, Acting Chief  
Financial Officer and Chairman

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

Patrick Po-On Hui  
Director

Ken Ying-Keung Wong  
Director

Barry J. Buttifant  
Director

## OFFICERS

John C.K. Sham  
President, Chief Executive Officer, Acting Chief  
Financial Officer and Chairman

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

## REGISTRAR AND TRANSFER AGENT

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

## INDEPENDENT ACCOUNTANTS

Mazars CPA Limited  
Certified Public Accountants  
Hong Kong

## 2015 ANNUAL GENERAL MEETING OF SHAREHOLDERS

November 12, 2015 at 11:30 A.M.  
Aberdeen Marine Club  
8 Shum Wan Road  
Abberdeen, Hong Kong

## AVAILABILITY OF ADDITIONAL INFORMATION

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

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Aberdeen, Hong Kong

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