

T-BAY HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. The Company and Subsidiaries T-Bay Holdings, Inc. (the “Company” or T-Bay) was incorporated under the laws of the State of Utah on August 9, 1984 as “Sharus Corporation” with authorized common stock of 50,000,000 shares with a par value of US\$0.001. On June 13, 1989, the domicile of the Company was changed to the state of Nevada in connection with a name change to “Golden Quest, Inc.”. On January 7, 2002, the name was changed to “T-Bay Holdings, Inc.” as a part of a reverse stock split of 400 shares of outstanding stock for one share and on November 23, 2004, the Company increased the authorized common stock to 100,000,000 shares with a par value of US\$0.001 as part of a reverse stock split of 20 outstanding shares for one share.

On August 16, 2005, pursuant to an Agreement and Plan of Reorganization, T-Bay issued 18,550,000 shares of its common stock for all of Amber Link International Limited’s (“Amber Link”) and Wise Target International Limited’s (“Wise Target”) outstanding shares of common stock (the “Merger”). Amber Link and Wise Target were two of the owners of Shanghai Sunplus Communication Technology Co., Ltd. (“Sunplus”). Wise Target owned a 75% interest and Amber Link owned a 20% interest in Sunplus. After the Merger, T-Bay indirectly owns 95% interest in Sunplus. In March 2009, Wise Target transferred all its holdings (75%) in Sunplus to Amber Link for US\$2,885,000 (HK\$22,500,000). As a result of this transaction, Amber Link directly owned 95% of Sunplus and this transaction had no impact on

The Company’s effective holdings of Sunplus, Shanghai Fanna Industrial Design, CO., Ltd. owned by the remaining 5% interest in Sunplus. On November 25, 2009, the Company transferred all its holdings %100 in Amber Link to Wise Target for US\$2,600. As a result of the transaction, the Company indirectly holds Amber Link and this transaction had no impact on the Company’s effective holdings of Amber Link and Sunplus/Wise Target was incorporated on April 24, 2002 under the International Business Companies Act in the British Virgin Islands.

Amber Link was incorporated on May 10, 2002 under the International Business Companies Act in the British Virgin Islands. During the year ended March 31, 2007, Amber Link commenced the sales of mobile phones and components. In September 2010, Amber Link suspended operations.

Sunplus was established on October 17, 2002 under the laws of the People’s Republic of China (“PRC”) as a Sino-foreign joint venture specialized in the development, production and sales of electronic telecommunication devices. Sunplus commenced operations May 1, 2003. In September 2010, Sunplus suspended operations. At March 31, 2012, Sunplus had 3 staff, which were administrative staff.

On February 12, 2007, Sunplus established a wholly-owned subsidiary, Zhangzhou JiaXun Communication Facility Co., Ltd. (“Zhangzhou JiaXun”) under the laws of the PRC. Zhangzhou JiaXun is an investment holding company.

On March 19, 2007, Sunplus and Zhangzhou JiaXun acquired 80% and 20%, respectively, of Fujian Qiaoxing Industry Co., Ltd. (“Fujian Qiaoxing”).

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On March 20, 2009, Sunplus disposed of its 80% interest in Fujian Qiaoxing Telecommunication Industry Company Limited ("QiaoXing Telecom"), a third party, at a consideration of US\$12,230,000 (RMB 84,000,000).

On April 9, 2009, Sunplus disposed of Zhangzhou JiaXun to QiaoXing Telecom at a consideration of US\$731,000 (RMB 5,000,000).

2. Going Concern

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company suspended operations in September 2010 with a view to minimize future losses. As of March 31, 2012, the Company continuing and discontinued operations had net liabilities of US\$6,243,000 and incurred a net loss of US\$42,949,000 for the year. This raises substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that may result from this uncertainty. The Company's ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities as and when they fall due.

Management has identified new business opportunities and to finance operating costs over the next twelve months with existing cash on hand and advances from shareholders. The Company is currently in negotiation for potential new business but no contracts or agreements have been signed or concluded.

3. Summary of Significant Accounting Policies

(a) Basis of Preparation

The consolidated balance sheets as of June 30, 2013 and 2012 included the financial statements of T-Bay and its subsidiaries (hereinafter, referred to collectively as the "Group") and are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

(b) A significant inter-company balances and transactions have been eliminated on consolidation.

(c) Use of Estimates

In preparing financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported periods. Significant estimates include useful lives of depreciable and amortizable assets and allowance for doubtful receivables. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

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The Group considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided principally by use of the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs, which does not improve or extend the expected useful life of the assets, are expensed to operations while major repairs are capitalized. Management estimates that property, plant and equipment have a 10% residual value. The estimated useful lives are as follows:

- Machinery 5 years
- Office Equipment 5 years
- Motor Vehicles 5 years

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amounts of the relevant assets, and, if any, is recognized in the statement of operations and comprehensive income.

(f) Intangible Assets

Intangible assets consist of software and patents and are amortized using the straight-line method over their estimated useful life of 5 years.

(g) Impairment of Long-Lived Assets

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") No. 360-10-35, the Group evaluates its long-lived assets to determine whether later events and circumstances warrant revised estimates of useful lives or a reduction in carrying value due to impairment. If indicators of impairment exist and if the value of the assets is impaired, an impairment loss would be recognized.

(h) Income Taxes

The Company accounts for income taxes under FASB ASC No. 740. Under FASB ASC No. 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under FASB ASC No. 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company reviews the difference between the tax bases under PRC tax laws and financial reporting under US GAAP. As of March 31, 2012, no material differences were found; therefore, there were no material deferred tax assets and liabilities arising from the operations of the subsidiaries in the PRC.

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FASB ASC No. 740 clarifies the account for uncertainty in income taxes recognized in an enterprise's financial statements and it prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 70 also provides guidance on derecognizing, classification, interest and penalties, accounting in interim periods, disclosures and transitions. Interest and penalties from tax assessments, if any, are included in general and administrative expenses in the consolidated statements of operations and comprehensive income.