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ANDREW INDUSTRIES (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

**Directors' Report and
Financial Statements**

For the year ended 31 March 2011

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ANDREW INDUSTRIES (HONG KONG) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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ANDREW INDUSTRIES (HONG KONG) LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 March 2011

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be investment holding. The principal activities and other particulars of the Company's subsidiary are set out in note 11 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 March 2011 and the state of the Company's affairs as at that date are set out in the financial statements on pages 5 to 24

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2011

RESERVES

Details of the movements in reserves of the Company during the year are set out in page 7 to the financial statements

DIRECTORS

The directors during the year and up to the date of this report were as follows:

Edward Duxbury Andrew
Ian Burnham Lord
Ian Frederick Leeder Kenyon

There being no provision in the Company's Articles of Association to the contrary, all directors continue in office for the forthcoming year.

ANDREW INDUSTRIES (HONG KONG) LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiary or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, subsidiary or any of its fellow subsidiaries a party to any arrangements to enable a director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board



Director

England, 22 July 2011



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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF ANDREW INDUSTRIES (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Andrew Industries (Hong Kong) Limited (the "Company") set out on pages 5 to 24, which comprise the statement of financial position as at 31 March 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF ANDREW INDUSTRIES (HONG KONG) LIMITED**

(incorporated in Hong Kong with limited liability)

Basis for adverse opinion

As explained in note 11 to the financial statements, the Company has not prepared consolidated financial statements, by combining the financial statements of the Company and its subsidiaries (the "Group"), as in the opinion of the directors, the preparation of consolidated financial statements would involve expense and delay out of proportion to the value to shareholder of the Company. However, under Hong Kong Financial Reporting Standards, the subsidiaries' financial statements should have been consolidated because they are controlled by the Company. Had the subsidiaries' financial statements been consolidated, many elements in the financial statements would have been materially affected. The effects on the financial statements of the failure to consolidate have not been determined.

Adverse opinion on the Group

Because of the failure to prepare consolidated financial statements, in our opinion, the financial statements do not give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Opinion on the Company

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its loss and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of matter

Without further qualifying our opinion, we draw attention to note 3(b) to the financial statements which indicates that the company incurred a loss of HK\$881,825 during the year ended 31 March 2011 and, as of that date, the Company's current liabilities exceeded its current assets by HK\$68,574,743. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.



BDO Limited

Certified Public Accountants

Lee Ka Leung, Daniel

Practising Certificate Number P01220

Hong Kong, 22 July 2011

ANDREW INDUSTRIES (HONG KONG) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 HK\$	2010 HK\$
Turnover	5	-	-
Other income	6	357,590	481,925
Administration expenses		(28,517)	(85,858)
Finance costs	7	<u>(1,210,898)</u>	<u>(1,724,621)</u>
Loss before income tax expense	8	(881,825)	(1,328,554)
Income tax expense	9	<u>-</u>	<u>-</u>
Loss and total comprehensive income for the year		<u><u>(881,825)</u></u>	<u><u>(1,328,554)</u></u>

ANDREW INDUSTRIES (HONG KONG) LIMITED


**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	Notes	2011 HK\$	2010 HK\$
Assets			
Non-current assets			
Investments in subsidiaries	11	<u>109,157,915</u>	<u>82,234,882</u>
Current assets			
Cash and cash equivalents		<u>63,975</u>	<u>44,935</u>
Total assets		<u>109,221,890</u>	<u>82,279,817</u>
Liabilities			
Current liabilities			
Accruals		18,400	18,200
Other payables		7,778,000	-
Amount due to ultimate holding company	12	<u>60,842,318</u>	<u>40,796,620</u>
Total current liabilities		<u>68,638,718</u>	<u>40,814,820</u>
Net current liabilities		<u>(68,574,743)</u>	<u>(40,769,885)</u>
NET ASSETS		<u>40,583,172</u>	<u>41,464,997</u>
Capital and reserves			
Share capital	13	55,000,000	55,000,000
Accumulated losses		<u>(14,416,828)</u>	<u>(13,535,003)</u>
TOTAL EQUITY		<u>40,583,172</u>	<u>41,464,997</u>

On behalf of the Board



Director



Director

ANDREW INDUSTRIES (HONG KONG) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital HK\$	Accumulated losses HK\$	Total HK\$
As at 31 March 2009 and 1 April 2009	100,000	(12,206,449)	(12,106,449)
Capitalisation of an amount due to ultimate holding company	54,900,000	-	54,900,000
Loss and total comprehensive income for the year	<u>-</u>	<u>(1,328,554)</u>	<u>(1,328,554)</u>
As at 31 March 2010 and 1 April 2010	55,000,000	(13,535,003)	41,464,997
Loss and total comprehensive income for the year	<u>-</u>	<u>(881,825)</u>	<u>(881,825)</u>
As at 31 March 2011	<u>55,000,000</u>	<u>(14,416,828)</u>	<u>40,583,172</u>

ANDREW INDUSTRIES (HONG KONG) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 HK\$	2010 HK\$
Cash flows from operating activities			
Loss before income tax expenses		(881,825)	(1,328,554)
Adjustments for:			
Interest expenses		1,210,898	1,724,621
Tax relief		<u>(356,886)</u>	<u>(481,765)</u>
Operating loss before working capital changes		(27,813)	(85,698)
Decrease in accruals		<u>200</u>	<u>-</u>
Net cash used in operating activities		(27,613)	(85,698)
Net cash from financing activities			
Advance from ultimate holding company		<u>46,653</u>	<u>81,711</u>
Net increase/(decrease) in cash and cash equivalents		19,040	(3,987)
Cash and cash equivalents at beginning of year		<u>44,935</u>	<u>48,922</u>
Cash and cash equivalents at end of year, representing cash and bank balance		<u><u>63,975</u></u>	<u><u>44,935</u></u>

ANDREW INDUSTRIES (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2011

1. GENERAL

Andrew Industries (Hong Kong) Limited (the "Company") is incorporated in Hong Kong as a limited liability company. Its ultimate holding company is Andrew Industries Limited (incorporated in United Kingdom). Its registered office is at 29/F, Wing On Centre, 111 Connaught Road Central, Hong Kong and principal place of business is at Walton House, Syke Side Drive, Accrington, BB5 5YE, England.

The Company's principal activity continues to be investment holding.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new and revised HKFRSs - effective 1 April 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKFRS 2	Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)- Interpretation 17	Distribution of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements - Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new/revised HKFRSs had no significant impact on the Company's financial statements. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

**2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") -
Continued**

(b) New and revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs, potentially relevant to the company's financial statements, have been issued, but are not yet effective and have not been early adopted by the company.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ^{1&2}
HKAS 24 (Revised)	Related Party Disclosures ³
Amendments to HKFRS 7	Disclosure - Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁴

¹ Effective for annual periods beginning on or after 1 July 2010

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

The Company is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far conclude that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Company

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants except that the Company has not prepared consolidated financial statements in accordance with HKAS 27 "Consolidated and Separate Financial Statements", as detailed in note 11

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

3. BASIS OF PREPARATION - Continued

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis

During the year, the Company has incurred a loss of HK\$881,825 and as at 31 March 2011, its current liabilities exceeded its current assets by HK\$68,574,743. These situations indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore, the Company may not be able to realise its assets and discharge its liabilities in the normal course of business. The ultimate holding company have undertaken to provide continuing financial support, including not to recall the amount due to them until the Company is solvent, in order to maintain the Company as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(b) Financial instruments

(i) Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. At each reporting date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Company assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor,
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation,

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(b) Financial instruments - continued

(ii) Impairment loss on financial assets - continued

For loan and receivable

An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are initially recognised at fair value, net of directly attributable costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(b) Financial instruments - continued

(v) Derecognition

The Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires

(c) Income taxes

Income taxes for the year comprise current tax and deferred tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date

Income taxes are recognised in the profit or loss except when they relate to items recognised to other comprehensive income in which case the taxes are also recognised in other comprehensive income.

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(d) Revenue recognition

Dividend income is recognised when the right to receive the dividend is established

(e) Foreign currency

Transactions entered into by the Company in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

(f) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Impairment of non financial assets

At the end of each reporting period, the Company reviews the carrying amounts of the interests in subsidiaries to determine whether there is any indication that the asset has suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. TURNOVER

No turnover was generated during the year.

6. OTHER INCOME

	2011 HK\$	2010 HK\$
Share of tax relief of fellow subsidiaries in United Kingdom	356,886	481,765
Exchange gains	704	160
	<u>357,590</u>	<u>481,925</u>

7. FINANCE COSTS

	2011 HK\$	2010 HK\$
Interest charged by the ultimate holding company	<u>1,210,898</u>	<u>1,724,621</u>

ANDREW INDUSTRIES (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

8. LOSS BEFORE INCOME TAX EXPENSE

	2011 HK\$	2010 HK\$
Loss before income tax expense is arrived at after charging		
Auditor's remunerations	18,400	18,200
Exchange losses	<u>-</u>	<u>4,756</u>

9. INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the financial statements as there were no assessable profits for the year.
- (b) The income tax expense for the year can be reconciled to the loss before income tax expense per statement of comprehensive income as follows:

	2011 HK\$	2010 HK\$
Loss before income tax expense	<u>(881,825)</u>	<u>(1,328,554)</u>
Tax calculated at the Hong Kong profits tax rate of 16.5% (2010: 16.5%)	(145,501)	(219,211)
Tax effect of expenses not deductible for tax purpose	204,503	298,729
Tax effect on revenue not subject to tax	<u>(59,002)</u>	<u>(79,518)</u>
Income tax expense	<u>-</u>	<u>-</u>

- (c) No provision for deferred income tax has been recognised in the financial statements as there is no significant temporary difference for tax purposes

ANDREW INDUSTRIES (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2011

10. DIRECTORS' EMOLUMENTS

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 161 of the Companies Ordinance, are as follows

	2011 HK\$	2010 HK\$
Directors' remuneration:		
Fees	-	-
Other emoluments	-	-

11. INVESTMENTS IN SUBSIDIARIES

	2011 HK\$	2010 HK\$
Unlisted investment, at cost	<u>109,157,915</u>	<u>82,234,882</u>

Details of the subsidiary at 31 March 2011 as follows

Name	Place of incorporation and operation	Registered capital	Percentage of holding directly	Principal activity
Andrew Industrial Textile Manufacturing Company (Shanghai) Limited	The People's Republic of China (the "PRC")	US\$13,320,000	100%	Manufacturing and trading of special textile products and providing related technical services
Andrew Industrial Textile (Wuxi) Company Ltd	The PRC	US\$11,058,000	100%	Development, manufacturing, marketing and sale of filtration media for air filtration applications

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

11. INVESTMENT IN A SUBSIDIARY - Continued

During the year, the Company acquired a subsidiary, Andrew Industrial Textile (Wuxi) Company Ltd. at a consideration of HK\$13,544,873 from an independent third party. The consideration of HK\$5,766,873 is paid on behalf by the Company's ultimate holding company and the remaining outstanding balance of HK\$7,778,000 will be settled within twelve months after the end of the reporting period. Hence, the balance is included in other payables in the financial statements.

During the year, the Company further invest of HK\$13,378,160 in a subsidiary, Andrew Industrial Textile Manufacturing Company (Shanghai) Limited. The amount is paid on behalf by the Company's ultimate holding company.

Consolidated financial statements of the Company and its subsidiaries have not been prepared in accordance with HKAS 27 "Consolidated and Separate Financial Statements". In the opinion of the directors, such preparation would involve expense and delay out of proportion to the value to shareholder of the Company.

The aggregate amount of post-acquisition profit/(loss) of the subsidiary attributable to the Company based on the financial statements is as follows:

	Current year HK\$	Prior years HK\$	Exchange difference HK\$	Total HK\$
Dealt with in the financial statements	-	-	-	-
Not dealt with in the financial statements	5,021,530	(10,948,656)	(357,518)	(6,284,644)
	<u>5,021,530</u>	<u>(10,948,656)</u>	<u>(357,518)</u>	<u>(6,284,644)</u>

12. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured and repayable on demand. Except for an amount of HK\$59,516,583 (2010: HK\$40,324,897) which is interest bearing at 3% interest rate per annum, the remaining balance is interest-free.

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

13. SHARE CAPITAL

(a) Authorised and issued share capital

	2011 HK\$	2010 HK\$
Authorised:		
100,000,000 ordinary shares of HK\$1 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid		
55,000,000 ordinary shares of HK\$1 each	<u>55,000,000</u>	<u>55,000,000</u>

(b) Capital management policy

The Company regards the equity attributable to equity holders of the Company as its capital. The Company's objectives when managing capital are to finance its operations with its own capital and to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the finance department. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company is exposed through its operations to the market risk (interest rate risk and foreign currency risk), liquidity risk and credit risk from its use of financial instruments in the normal course of business.

ANDREW INDUSTRIES (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT - Continued

(a) Market risk - continued

i) Interest rate risk - continued

The Company is exposed to interest rate risk in a short term variable-rate on amount due to the ultimate holding company. The management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise

The following table indicates the approximate change in the profit after tax in response to reasonably possible changes in an interest rate to which the company has significant exposure at the reporting date. In determining the effect on profit after tax on the next accounting period until next reporting date, we assume that the change in interest rate had occurred

At the reporting date and all other variables remain constant. There is no change in the methods and assumptions used in 2011 and 2010.

	2011 HK\$	2010 HK\$
Effect on profit after tax		
HIBOR		
Increase by 100 basis points	(596,000)	(404,000)
Decrease by 100 basis points	<u>596,000</u>	<u>404,000</u>

The directors of the Company considered that the carrying amounts of these categories approximate their fair value

ii) Foreign currency risk

The Company has some assets and liabilities and transactions denominated in foreign currency and is exposed to foreign currency risk. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise

Foreign currency risk also arises when individual Company operations enter into transactions denominated in a currency other than their functional currency.

ANDREW INDUSTRIES (HONG KONG) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011**

14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT - Continued

(a) Market risk - continued

ii) Foreign currency risk - continued

The carrying amounts of the Company's foreign currency denominated monetary financial assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Great British Pound	<u>11,845</u>	<u>-</u>	<u>60,842,318</u>	<u>40,796,620</u>

Sensitivity analysis

The sensitivity analysis on foreign currency risk includes monetary financial assets and liabilities that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. The following tables indicate the approximate effect on the profit after tax in the next accounting period at one year after reporting date in response to reasonably possible changes in an exchange rate to which the Company has significant exposure at the reporting date

	Group	
	2011	2010
	Effect on	Effect on
	profit after	profit after
	tax	tax
	HK\$	HK\$
GBP to HK\$:		
Appreciates by 9% (2010: 8%)	(5,474,743)	(3,263,970)
Depreciates by 9% (2010: 8%)	<u>5,474,743</u>	<u>3,263,970</u>

(b) Liquidity risk

The Company's objective is to ensure there are adequate funds to meet commitments associated with its financial liabilities. Cash flows of the Company are closely monitored by senior management on an ongoing basis

Its major creditor is its ultimate holding company who has confirmed its continuing financial support to the Company

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14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT - Continued

(b) Liquidity risk - Continued

The contractual maturities of financial liabilities are shown as below.

	2011 HK\$	2010 HK\$
In less than one year	<u>70,405,815</u>	<u>42,107,179</u>

(c) Credit risk

The Company has no exposure on credit risk.

15. FINANCIAL INSTRUMENTS -CARRYING AMOUNT AND FAIR VALUE

The directors of the Company considered that the carrying amounts of the financial assets and financial liabilities approximate their fair value

16. RELATED PARTY TRANSACTIONS

Key management personnel are the directors of the Company and the details of directors' remuneration are given in note 10 to the financial statements. Other significant related party transactions during the year are as follows:

	2011 HK\$	2010 HK\$
Interest expense charged by the ultimate holding company	1,210,898	1,724,621
Share of tax relief of fellow subsidiaries in United Kingdom	<u>356,886</u>	<u>481,765</u>

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17. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies which are described in note 4, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liability within the next financial year, are also discussed below:

(a) Impairment of investments in subsidiaries

The Company's management assesses the recoverability of the investments in subsidiaries at the end of each reporting period. The assessment is based on the estimate on the financial status of the subsidiaries' ability to repay their obligations when they fall due.

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 July 2011

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16. FINANCIAL RISK MANAGEMENT - CONTINUED

(f) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011 and 2010

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

17. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Company's financial assets and financial liabilities as recognised at 31 March 2011 and 2010 may be categorised as follows:

	2011 HK\$	2010 HK\$
Financial assets		
Loans and receivables (including bank balances)	<u>6,548,365</u>	<u>849,225</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>5,909,258</u>	<u>366,759</u>