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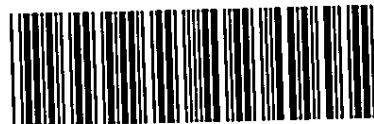
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**ANDREW INDUSTRIES (HONG KONG)  
LIMITED**

(incorporated in Hong Kong with limited liability)

**Directors' Report and  
Financial Statements  
For the year ended 31 March 2010**

TUESDAY



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**BDO**



**ANDREW INDUSTRIES (HONG KONG) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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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 2010

#### **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 2010 are set out in the statement of comprehensive income on page 5.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010.

#### **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.

#### **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.



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**DIRECTORS' REPORT**

**AUDITOR**

BDO McCabe Lo Limited has changed its name to BDO Limited. Accordingly, the auditor's report is now signed under the new name. 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, 18 OCT 2010



**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 23, which comprise the statement of financial position as at 31 March 2010, 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 notes

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**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 as to 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 and true and fair presentation of the financial statements 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 subsidiary ("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 shareholders of the Company. However, in our opinion, the results, assets and liabilities of the subsidiary are material to the Group. The Company is required to prepare consolidated financial statements in accordance with Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" issued by the HKICPA.

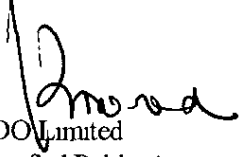
**ADVERSE OPINION ON THE GROUP**

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 2010 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 2010 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.

Without further qualifying our opinion, we draw attention to note 3(b) to the financial statements which indicates that the company incurred a net loss of HK\$1,328,554 during the year ended 31 March 2010 and, as of that date, the company's current liabilities exceeded its total assets by HK\$40,769,885. These conditions, along with other matters as set forth in note 3(b) to the financial statements, 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, 18 OCT 2010



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 HK\$	2009 HK\$
Turnover	5	-	-
Other income	6	481,925	771,305
Administration expenses		(85,858)	(36,682)
Reversal of impairment loss on investment in a subsidiary		<u>-</u>	<u>8,920,098</u>
Profit from operation	7	396,067	9,654,721
Finance costs	8	<u>(1,724,621)</u>	<u>(3,246,996)</u>
(Loss)/profit before income tax expense		(1,328,554)	6,407,725
Income tax expense	9	<u>-</u>	<u>-</u>
(Loss)/profit and total comprehensive income for the year		<u><u>(1,328,554)</u></u>	<u><u>6,407,725</u></u>




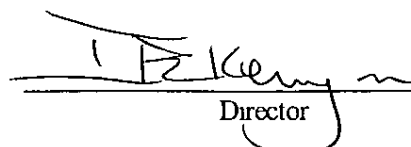
**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2010**

	Notes	2010 HK\$	2009 HK\$
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in a subsidiary	11	<u>82,234,882</u>	<u>82,234,882</u>
Total non-current assets		82,234,882	82,234,882
<b>Current assets</b>			
Cash and cash equivalents		<u>44,935</u>	<u>48,922</u>
Total current assets		<u>44,935</u>	<u>48,922</u>
<b>Total assets</b>		82,279,817	82,283,804
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals		18,200	18,200
Amount due to ultimate holding company	12	<u>40,796,620</u>	<u>94,372,053</u>
Total current liabilities		<u>40,814,820</u>	<u>94,390,253</u>
<b>Total liabilities</b>		<u>40,814,820</u>	<u>94,390,253</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>41,464,997</u>	<u>(12,106,449)</u>
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	13	55,000,000	100,000
Accumulated losses		<u>(13,535,003)</u>	<u>(12,206,449)</u>
<b>TOTAL EQUITY/(DEFICITS)</b>		<u>41,464,997</u>	<u>(12,106,449)</u>

On behalf of the Board

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2010**

	<b>Share capital HK\$</b>	<b>Accumulated losses HK\$</b>	<b>Total HK\$</b>
As at 31 March 2008 and 1 April 2008	100,000	(18,614,174)	(18,514,174)
Total comprehensive income for the year	<u>-</u>	<u>6,407,725</u>	<u>6,407,725</u>
As at 31 March 2009	100,000	(12,206,449)	(12,106,449)
Capitalisation of an amount due to ultimate holding company	54,900,000	-	54,900,000
Total comprehensive income for the year	<u>-</u>	<u>(1,328,554)</u>	<u>(1,328,554)</u>
As at 31 March 2010	<u>55,000,000</u>	<u>(13,535,003)</u>	<u>41,464,997</u>



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 MARCH 2010**

	<b>Notes</b>	<b>2010 HK\$</b>	<b>2009 HK\$</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation		(1,328,554)	6,407,725
Adjustments for			
Interest income		-	(196)
Interest expenses		1,724,621	3,246,996
Tax relief		(481,765)	(771,109)
Reversal of impairment loss on investments in a subsidiary		-	(8,920,098)
<b>Operating loss before working capital changes</b>		(85,698)	(36,682)
Increase in accruals		-	1,400
<b>Cash generated from operations</b>		(85,698)	(35,282)
Interest income		-	196
<b>Net cash flows used in operating activities</b>		(85,698)	(35,086)
<b>Investing activities</b>			
Capital injection to a subsidiary		-	(22,315,000)
<b>Net cash flows used in investing activities</b>		-	(22,315,000)
<b>Financing activities</b>			
Interest paid		(1,724,621)	(3,246,996)
Advance from ultimate holding company	17	1,806,332	25,561,996
<b>Net cash flows generated from financing activities</b>		81,711	22,315,000
<b>Net decrease in cash and cash equivalents</b>		(3,987)	(35,086)
<b>Cash and cash equivalents at beginning of year</b>		48,922	84,008
<b>Cash and cash equivalents at end of year</b>		44,935	48,922



# ANDREW INDUSTRIES (HONG KONG) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2010

### 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 is engaged in the investment holding.

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

- (a) The Company has adopted the following new / revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

The adoption of the above new / revised HKFRSs had no material effect on the reported results or financial position of the Company for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statement of financial position, previously known as balance sheet, at the beginning of the year of 2008 have not been presented as there were no changes to the originally published statement.

#### HKAS 1 (Revised), Presentation of Financial Statements

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the "Statement of Comprehensive Income", the "Statement of Financial Position" and the "Statement of Cash Flows" respectively. All income and expenses arising from transactions with non-owners are presented under the "Statement of Comprehensive Income", while the owners' changes in equity are presented in the "Statement of Changes in Equity".



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2010**

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

**(b) Potential impact arising on HKFRSs not yet effective**

The following new or revised HKFRSs, potentially relevant to the Company's operation but are not yet effective and have not been early adopted by the Company

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
Amendment to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement <sup>5</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HKFRS 9	Financial Instruments <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2010**

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

**(b) Potential impact arising on HKFRSs not yet effective - continued**

The Company is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the Directors of the Company so far concluded that the application of these standards, amendments or interpretations 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 Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA 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

**(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\$1,328,554 and at the end of reporting period, its current liabilities exceeded its current assets by HK\$40,769,885. This situation indicates 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 realize 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) Use of estimate and judgements**

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 18.

**(d) 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.



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2010**

**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, investment 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.

**(b) Financial instruments**

**(i) Financial assets**

The Company classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. All other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets 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. 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 debtors' financial difficulty,



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2010**

and

**4 PRINCIPAL ACCOUNTING POLICIES - Continued**

**(b) Financial instruments – continued**

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation,

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**

The Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings 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 2010**

**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) Revenue recognition**

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate

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

**(d) 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 2010**

**4. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(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 balance sheet date. 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 the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

**(f) 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.



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2010**

**4. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(g) 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

**5. TURNOVER**

No turnover was generated during the year

**6. OTHER INCOME**

	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
Share of tax relief of fellow subsidiaries in United Kingdom	481,765	771,109
Exchange gain	160	-
Interest income	-	196
	<u>481,925</u>	<u>771,305</u>

**7. PROFIT FROM OPERATION**

	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
Profit from operation is arrived at after charging		
Auditor's remunerations		
- for current year	18,200	16,800
Exchange loss, net	-	4,756
	<u>18,200</u>	<u>21,556</u>



**ANDREW INDUSTRIES (HONG KONG) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2010**

**8. FINANCE COSTS**

	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
Interest charged by the ultimate holding company	<u>1,724,621</u>	<u>3,246,996</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 per income statement as follows

	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
(Loss)/profit before tax	<u>(1,328,554)</u>	<u>6,407,725</u>
Tax calculated at the domestic tax rate of 16.5% (2009 16.5%)	(219,211)	1,057,275
Tax effect of expenses not deductible for tax purpose	298,729	541,807
Tax effect on revenue not subject to tax	<u>(79,518)</u>	<u>(1,599,082)</u>
Income tax expense	<u>-</u>	<u>-</u>

- (c) No provision for deferred taxation had been recognised in the financial statements as the amount involved is insignificant

**10. DIRECTORS' EMOLUMENTS**

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

	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
Directors' remuneration		
Fees	-	-
Other emoluments	<u>-</u>	<u>-</u>



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**11. INVESTMENT IN A SUBSIDIARY**

	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
Unlisted investment, at cost	82,234,882	82,234,882
Less Impairment loss	<u>-</u>	<u>-</u>
	<u>82,234,882</u>	<u>82,234,882</u>

Details of the subsidiary at 31 March 2010 as follows

<u>Name</u>	<u>Place of incorporation and operation</u>	<u>Registered capital</u>	<u>Percentage of holding directly</u>	<u>Principal activity</u>
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

Consolidated financial statements of the Company and its subsidiary 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 shareholders of the Company

The aggregate amount of post-acquisition loss of the subsidiary attributable to the Company based on the audited financial statements is as follows

	<b>Current year HK\$</b>	<b>Prior years HK\$</b>	<b>Exchange difference HK\$</b>	<b>Total HK\$</b>
Not dealt with in the financial statements	<u>5,323,058</u>	<u>(16,243,762)</u>	<u>(27,952)</u>	<u>(10,948,656)</u>
	<u>5,323,058</u>	<u>(16,243,762)</u>	<u>(27,952)</u>	<u>(10,948,656)</u>



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**12. AMOUNT DUE TO ULTIMATE HOLDING COMPANY**

The amount is unsecured and repayable on demand. Except for an amount of HK\$40,324,897 (2009: HK\$81,065,727) which is interest bearing at 2.25% to 6.75% interest rate per annum, the remaining balance is interest-free.

**13. SHARE CAPITAL**

**(a) Authorised and issued share capital**

	<b>2010 HK\$</b>	<b>2009 HK\$</b>
Authorised		
100,000,000 ordinary shares of HK\$1 each		
(2009: 8,000,000 ordinary shares of HK\$1 each)	<u>100,000,000</u>	<u>8,000,000</u>
Issued and fully paid		
55,000,000 ordinary shares of HK\$1 each		
(2009: 100,000 ordinary shares of HK\$1 each)	<u>55,000,000</u>	<u>100,000</u>

During the year, it was resolved that the authorised share capital of the Company to be increased from HK\$8,000,000 to HK\$100,000,000 by creation of additional 92,000,000 shares of HK\$1 each.

During the year, it was resolved that the amount due to its ultimate holding company of HK\$54,900,000, be capitalised and that 54,900,000 shares of HK\$1.00 each be allotted to its holding company accordingly.

**(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.



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**14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT**

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

**(a) Market risk**

**i) Interest rate risk**

The Company is exposed to interest rate risk on a short term variable-rate loan from 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 balance sheet date. In determining the effect on profit after tax on the next accounting period until next balance sheet date, we assume that the change in interest rate had occurred at the balance sheet date and all other variables remain constant. There is no change in the methods and assumptions used in 2010 and 2009.

	2010 HK\$	2009 HK\$
Effect on profit after tax		
<b>HIBOR</b>		
Increase by 100 basis points	(404,000)	(811,000)
Decrease by 100 basis points	<u>404,000</u>	<u>811,000</u>

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

**ii) 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 exchange risk also arises when individual Company operations enter into transactions denominated in a currency other than their functional currency.



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**NOTES TO THE FINANCIAL STATEMENTS  
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**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 balance sheet date are as follows

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Great British Pound	<u>-</u>	<u>-</u>	<u>40,796,620</u>	<u>94,372,053</u>

*Sensitivity analysis*

The sensitivity analysis on foreign exchange 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 balance sheet date in response to reasonably possible changes in an exchange rate to which the Company has significant exposure at the balance sheet date.

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>Effect on</b>	<b>Effect on</b>
	<b>profit after</b>	<b>profit after</b>
	<b>tax</b>	<b>tax</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>GBP to HK\$:</b>		
Appreciates by 13% (2009: 8%)	(5,303,561)	(7,549,764)
Depreciates by 13% (2009: 8%)	<u>5,303,561</u>	<u>7,549,764</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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**NOTES TO THE FINANCIAL STATEMENTS  
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**14 FINANCIAL INSTRUMENTS - RISK MANAGEMENT - Continued**

**(b) Liquidity risk - continued**

The contractual maturities of financial liabilities are shown as below

	<b>2010 HK\$</b>	<b>2009 HK\$</b>
In less than one year	<u>42,107,179</u>	<u>97,006,689</u>

**(c) Credit risk**

The Company has no significant concentrations of 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 are approximate to their fair value

**16. RELATED PARTY TRANSACTION**

Significant related party transaction during the year was

	<b>2010 HK\$</b>	<b>2009 HK\$</b>
Interest expense charged by the ultimate holding company	<u>1,724,621</u>	<u>3,246,996</u>

**17. NOTES SUPPORTING CASH FLOW STATEMENT**

	<b>2010 HK\$</b>	<b>2009 HK\$</b>
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Significant non-cash transactions are as follows

*Financing activities*

Capitalisation of an amount due to ultimate holding company

<u>54,900,000</u>	<u>-</u>
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**18. 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 investment in a subsidiary**

The Company's management assesses the recoverability of the investment in a subsidiary. The assessment is based on the estimate on the financial status of the subsidiary's ability to repay their obligations when they fall due. Management reassesses the estimation on each of the balance sheet dates.

**19. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on  
18 OCT 2010