

Chairman's Statement

Forward

On behalf of MAE Holdings Limited (the "Company") and its subsidiaries (the "Group"), I present herewith the annual report of the Group for the year ended 30th April, 2005.

Business Review & Prospects

The Group continued in the Electrical Manufacturing Services ("EMS") for musical instrument, electrical appliances and linear and switching power supplies. The year 2004/05 was a difficult year for the majority of the business of the Group. The tense supply of raw material, and increase in prices of major components in the electronic industry resulted in reduction in sales of certain major customers and, in general, lowering of gross margin.

Turnover of the Group for the year amounted to HK\$128,968,000, representing a decrease of 31% comparing with last year. The Group increased the marketing of self developed products and has intensified in the research and development of appliances and electrical products in order to broaden the market and the client base.

The management keeps on managing costs and has achieved reduction of administrative expenses by over 10% during the year. To continue to streamline the business structure, the Group disposed of non-core business investment during the year and the proceeds were applied to the development of new products.

To improve the Group financial position, subsequent to the balance sheet date, the Company has completed capital re-organisation and rights issue to reduce the accumulated deficits and increase the working capital.

With the introduction of a new strategic investor after the rights issue, the Group is actively searching for investment opportunities which will improve the overall Group result.

Conclusion

On behalf of the Board of Directors (the "Board"), I would like to thank all of our shareholders, customers, suppliers and staff for their contribution and support throughout the year. With full commitment, we are confident of the strength of the Group and shall prosper in the years to come.

By order of the Board

Lo Wai Shing, Felix
Chairman

Hong Kong
25th August, 2005