

MAE HOLDINGS LIMITED

Notes:

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for investment property which is measured at fair values, as appropriate.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 30 April 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Investment Property

In the current period, the Group has, for the first time, applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment properties to be recognized directly in the profit or loss for the period in which they arise. In previous periods, investment property under the predecessor Standard was measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. This change in accounting policy has had no material effect on the financial statements for the current or prior accounting periods.

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2. PRINCIPAL ACCOUNTING POLICIES *(continued)***Deferred Tax related to Investment Property**

In previous periods, deferred tax consequences in respect of revalued investment property were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment property are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. However, the adoption of HKAS Interpretation 21 does not have any significant impact on the profit of the prior periods and no prior period adjustment is necessary.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for the Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommission, Restoration And Environmental Rehabilitation Funds
HK (IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electrical Equipment

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3. SEGMENT INFORMATION

Business segments

For the six months ended 31 October

	Electrical products		Adaptors and transformers		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment turnover								
Sales to external customers	10,745	85,243	5,199	18,724	3,455	1,178	19,399	105,145
Segment results	(4,966)	5,748	(4,301)	(2,813)	(4,009)	(4,213)	(13,276)	(1,278)
Unallocated income							114	97
Unallocated expenses							(8,748)	(10,005)
Loss from operations							(21,910)	(11,186)
Finance costs							(925)	(517)
Gain on disposal of an associate							–	2,000
Loss for the period							(22,835)	(9,703)

Geographical segments

For the six months ended 31 October

	Turnover by geographical market	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Japan	11,765	63,550
North America	826	10,099
PRC	4,220	26,470
Europe and others	2,588	5,026
	19,399	105,145

MAE HOLDINGS LIMITED**4. LOSS FROM OPERATIONS**

The Group's loss from operations is arrived at after charging:

	Unaudited	
	Six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Amortisation of deferred costs	281	1,254
Depreciation of property, plant and equipment		
Owned	2,326	3,604
Under finance leases obligations	122	54

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company's Hong Kong subsidiaries have no assessable profit for the current and the last periods.

No PRC tax provision has been made as the PRC subsidiary incurred a tax loss for current and the last periods.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the following information:

	Unaudited	
	Six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Loss		
Loss for the purposes of basic loss per share		
Loss for the period attributable to equity holders		
of the company	(22,835)	(9,703)
Number of shares		
Weighted average number of shares for the purpose of		
basic loss per share	394,503,467	224,192,000
Effect of restated loss per share in respect of rights issue	–	(1,126,593)
Weighted average number of shares for the purpose of		
restated loss per share	394,503,467	223,065,407

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for both periods have been retrospectively adjusted for the capital reorganization and the rights issue approved by the shareholders of the company at Special General Meeting held on 17 May 2005.

MAE HOLDINGS LIMITED**7. MOVEMENTS IN INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND DEFERRED COSTS**

	Investment Property <i>HK\$ '000</i>	Property, plant and equipment <i>HK\$ '000</i>	Deferred Costs <i>HK\$ '000</i>
Cost or valuation			
At 1 May 2005	642	113,443	11,793
Additions	–	2,045	52
At 31 October 2005	642	115,488	11,845
Depreciation and Amortization			
At 1 May 2005	–	102,924	10,985
Provided for the period	–	2,448	281
At 31 October 2005	–	105,372	11,266
Net book values			
At 31 October 2005	642	10,116	579
At 31 October 2004	642	10,519	808

At 31 October 2005, the directors have considered the carrying amount of the Group's investment property and have estimated that the carrying amount as at 31 October 2005 does not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation no surplus or deficit has recognized in the current period.

MAE HOLDINGS LIMITED**8. TRADE RECEIVABLES**

The aging analysis of the trade receivable is stated as follows:

	Unaudited	Audited
	31 October	30 April
	2005	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	4,596	2,584
Between 91 and 180 days	933	878
Over 180 days	4,781	5,123
	10,310	8,585

9. TRADE PAYABLES

The aging analysis of the trade payables is stated as follow:

	Unaudited	Audited
	31 October	30 April
	2005	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	4,108	9,878
Between 91 and 180 days	1,361	1,117
Over 180 days	4,710	3,879
	10,179	14,874

MAE HOLDINGS LIMITED**10. BANK AND OTHER BORROWINGS**

Bank and other borrowings comprise:

	Unaudited	Audited
	31 October	30 April
	2005	2005
	HK\$'000	HK\$'000
Bank loans	651	2,683
Bank overdrafts	–	187
Other borrowings	33,000	23,000
	33,651	25,870

11. SHARE CAPITAL

	No of	Amount
	ordinary shares	HK\$'000
Authorized:		
Ordinary shares of HK\$ 0.01 each		
At 1 May 2005 and 31 October 2005	20,000,000,000	200,000

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11. SHARE CAPITAL (continued)

	Number of ordinary shares		Amount	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Issued and fully paid:				
At 1 May	4,483,840,000	3,403,200,000	44,838,400	34,032
Issue of shares on placement	–	550,000,000	–	5,500
Capital reduction on 17 May 2005	–	–	(42,596,480)	–
Share consolidation on 17 May 2005	(4,259,648,000)	–	–	–
Rights issue on 13 June 2005	224,192,000	–	2,241,920	–
At 31 October	448,384,000	3,953,200,000	4,483,840	39,532

MAE HOLDINGS LIMITED**11. SHARE CAPITAL** *(continued)*

Pursuant to special and ordinary resolutions passed at Special General Meeting held on 17 May 2005, the Company carried out the following:

(a) Capital Reorganisation

The Capital Reorganization involves the Capital Reduction, the Share Subdivision and the Share Consolidation.

1. Capital Reduction

(i) the issued share capital of the Company was reduced by HK\$0.0095 per Existing Share by cancelling an equivalent amount of paid-up capital per Existing Share so that the nominal value of each Existing Share in issue was reduced from HK\$0.01 to HK\$0.0005; and (ii) the entire amount standing to the credit of the share premium account of the Company was cancelled. The credit arising from (i) and (ii) above was transferred to eliminate the accumulated loss, which amounted to approximately HK\$238.5 million.

2. Share Subdivision

Upon the Capital Reduction becoming effective, each authorized but unissued Existing Share in the capital of the Company was subdivided into 20 shares of HK\$0.0005 each.

3. Share Consolidation

Immediately following the Capital Reduction and the Share Subdivision, the Share Consolidation will be implemented whereby every 20 shares of HK\$0.0005 each resulting from the Capital Reduction and the Share Subdivision was consolidated into one Consolidated Share of HK\$0.01. Fractional Consolidated Shares will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefits of the Company.

(b) Rights Issue

On 13 June 2005, a rights issue ("Rights Issue") on the basis of one rights share for one existing consolidated share held by shareholders on the register of members on 25 May 2005 was allotted at an issue price HK\$0.01 per rights share, resulting in the issue of 224,192,000 shares at HK\$0.1 each for a total cash consideration before share use expenses, of approximately HK\$ 22,419,200 million.

Details of the Capital Reorganization and Rights Issue were set out in the circular and the prospectus of the Company dated 22 April 2005 and 26 May 2005 respectively.

MAE HOLDINGS LIMITED**12. CAPITAL COMMITMENTS**

The Group had no capital commitments at the balance sheet date.

13. CONTINGENT LIABILITIES

The Group had no contingent liabilities at the balance sheet date.

14. POST BALANCE EVENTS

Subsequent to the balance sheet date, the Group has announced the following:–

- (1) The Board proposes to implement the Share Consolidation whereby every 10 Existing Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.10. Fractional Consolidated Shares will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefits of the Company.
- (2) Subject to the Share Consolidation taking effect, the Company proposes to raise approximately HK\$44.8 million before expenses by way of the Open Offer by issuing Convertible Bonds with aggregate principal amount of not less than HK\$44,838,400 and not more than 44,911,300, at a price of HK\$1.00 per Convertible Bond in the principal amount of HK\$1.00 each payable in full on acceptance.

Details of the Share Consolidation and Convertible Bonds issuance were set out in the announcement of the Company dated 6 January 2006.