

# Chairman's Statement

## Forward

On behalf of the board of directors (the "Board") of MAE Holdings Limited (the "Company"), I announce herewith the annual results of the Company and its subsidiaries (together the "Group") for the year ended 30 April 2006.

## Business Review and Prospects

During the year under review, the Group recorded a turnover of HK\$33.6 million, a decrease of approximately 74% compared to previous year. Loss attributable to shareholders of the Company rose to HK\$49.9 million compared to previous year of HK\$39.8 million.

The financial year 2006 was a difficult and challenging year to the Group, attributable to several unfavorable factors. Loss of major customers in key segments depressed the turnover; keen competition within rivals led to increasing price pressure from our customers; and shortage of labor in Southern China and unstable and tense supply of major materials resulted in decreased efficiency in production and delay in order. Coupled with frenzied increase in price of silicon steel and copper in the global market, the Group suffered the huge impact on margin and further, the loss.

Despite the difficult situation in financial year 2006, the Group re-enacted marketing strategies with diversified customer's base management in response to the difficulty. Together with organization restructuring and reengineering, the Group paid much efforts in product management and development, a team comprised professions from Pro-audio and electronics fields has been formed to cope with the Group development. In addition, the Group has continuously taken necessary steps in cost control measures to set-off the impact from frenzied increase in price of major materials.

The Group is optimistic to 2006 onwards and has confidence in improving the turnover and the results. We have rebuilt relationship and setup effective connection with customers, several newly developed products in Pro-audio segment have come to pre-production and mass production stages and we received positive feedback on these from customers. The Group will continue to pay resources and efforts in product management and development. By a fund raising activity of issuance of convertible bonds, the Group financial situation has been improved. The Group will continue to implement prudent financial control; and enhance stringent cost control measures to cope with the challenge.

## Conclusion

Finally, I would take this opportunity to express my gratitude to the members of the board for their diligent guidance and support, to thank the management team for their leadership and all staff for their hard works during our difficulty. I would also like to thank our major shareholder, bankers, customers and vendors for their continued supports.

By order of the Board

**Lo Wai Shing, Felix**  
*Chairman*

Hong Kong, 18 August 2006