

MAE ENGINEERING LTD

Unaudited Half-Year Financial Statement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediate financial year

Income Statements

	<b>Group</b>		
	6 months ended	6 months ended	Change %
	30 Sept 2006 S\$'000	30 Sept 2005 S\$'000	
<b>Revenue</b>			
Construction income	772	3,238	(76)
Interest income	17	-	NM
Other income	153	202	(24)
Total revenue	<u>942</u>	<u>3,440</u>	(73)
<b>Costs and expenses</b>			
Raw materials and consumables used	776	3,159	(75)
Subcontract costs	-	(18)	(100)
Staff costs	950	1,249	(24)
Other operating expenses	940	1,727	(46)
Total costs and expenses	<u>2,666</u>	<u>6,117</u>	(56)
<b>Operating loss</b>	(1,724)	(2,677)	(36)
Finance costs	(196)	(271)	(28)
Share of profit of associated companies	-	-	NM
Gain from disposal of subsidiary companies	-	301	(100)
<b>Loss from continuing operations before taxation</b>	(1,920)	(2,647)	(27)
Taxation	(44)	(6)	NM
<b>Loss from continuing operations after taxation</b>	<u>(1,964)</u>	<u>(2,653)</u>	(26)

Notes to Income Statements

The following items were charged/(credited) to the income statements:

	<b>Group</b>		
	6 Months ended	6 months ended	Change %
	30 Sept 2006 S\$'000	30 Sept 2005 S\$'000	
Other income			
Rental income	53	63	(16)
Gain on disposal of fixed asset	100	139	(28)
Total for other income	<u>153</u>	<u>202</u>	(24)
Depreciation of fixed assets	38	185	(80)
Exchange (gain)/loss	(53)	92	(157)
Provision for doubtful debts	-	229	NM
Provision for warranty and defects	2	-	NM
Provision for litigation claim	27	-	NM
Under provision for taxation in respect of prior years	44	-	NM

NM: Not meaningful.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

**Balance Sheets**

	<b>Group</b>		<b>Company</b>	
	As at 30 Sept 2006 S\$'000	As at 31 Mar 2006 S\$'000	As at 30 Sept 2006 S\$'000	As at 31 Mar 2006 S\$'000
<b>Non-current assets</b>				
Fixed assets	165	51	144	24
Subsidiary companies	-	-	655	655
Other investment	1,006	1,006	1,006	1,006
<b>Current assets</b>				
Contracts-in-progress	2,350	1,616	-	-
Trade receivables	34	33	-	-
Other receivables	363	273	263	209
Amounts owing by subsidiary companies	-	-	37	-
Amounts owing by an associated company	329	120	12	12
Amounts owing by related parties	3,011	3,011	3,000	3,002
Cash at bank and in hand	6,541	37	6,421	9
	<u>12,628</u>	<u>5,090</u>	<u>9,733</u>	<u>3,232</u>
Non-current assets held for sale	1,325	1,325	1,325	1,325
	<u>13,953</u>	<u>6,415</u>	<u>11,058</u>	<u>4,557</u>
<b>Current liabilities</b>				
Amounts due to bankers	4,597	7,456	3,350	7,456
Trade payables	797	808	712	743
Other payables	3,494	3,712	3,213	3,259
Provision for warranty and defects	208	206	-	-
Provision for litigation claims	433	675	406	675
Amounts owing to an associated company	490	254	104	51
Amounts owing to subsidiary companies	-	-	8,243	7,914
Amounts owing to related parties	14,619	14,067	4,023	4,073
Provision for taxation	86	90	-	-
	<u>24,724</u>	<u>27,268</u>	<u>20,051</u>	<u>24,171</u>
<b>Net current liabilities</b>	(10,771)	(20,853)	(8,993)	(19,614)
<b>Non-current liabilities</b>				
Hire purchase creditors	(102)	(57)	(102)	(57)
<b>Net liabilities</b>	<u>(9,702)</u>	<u>(19,853)</u>	<u>(7,290)</u>	<u>(17,986)</u>
<b>Equity</b>				
Share capital	44,389	32,342	44,389	32,342
Accumulated losses	(54,196)	(52,232)	(51,679)	(50,328)
Foreign currency translation reserve	105	37	-	-
<b>Total equity</b>	<u>(9,702)</u>	<u>(19,853)</u>	<u>(7,290)</u>	<u>(17,986)</u>

Note: On 27 September 2006, the Company had entered into a conditional sale and purchase agreement with Eligro Sdn Bhd, Lereno Sdn Bhd and the shareholders of Eligro Sdn Bhd to acquire 38% of the total issued share capital of Lereno Sdn Bhd. The consideration of S\$17.5 million that MAE will be paying for the proposed acquisition will be by way of the issuance of 350,000,000 new MAE shares in the share capital of MAE Engineering Ltd at the issue price of S\$0.05 per share. Hence, assuming successful completion of the transaction which is expected around January to February 2007, the share capital of the Company will be increased by S\$17.5 million to S\$61.889 million. As a result, the total equity of the Company is expected to change from negative S\$9.702 million to approximately positive S\$7.7 million assuming other assets and liabilities remain unchanged.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

As at 30 Sept 2006		As at 31 Mar 2006	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
20	4,597	25	7,456

**Amount repayable after one year**

As at 30 Sept 2006		As at 31 Mar 2006	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
102	-	57	-

**Details of any collateral**

The secured borrowings are in relation to assets acquired under hire purchase financing.

**1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Cash Flow Statements**

	<b>GROUP</b>	
	6 months ended	6 months ended
	30 Sept 2006	31 Sept 2005
	S\$'000	S\$'000
<b>Cash flow from operating activities</b>		
Loss from operations before taxation	(1,920)	(2,647)
Adjustments for:		
Depreciation of fixed assets	38	185
Provision for trade debts	-	229
Gain on disposal of subsidiaries	-	(301)
Provision for warranty and defects	2	-
Provision for litigation claims	27	-
Gain on disposal of fixed assets	(100)	(139)
Interest expense	196	271
Interest income	(17)	-
<b>Operating loss before reinvestment in working capital</b>	<u>(1,774)</u>	<u>(2,402)</u>
Increase in debtors	(91)	(49)
(Increase)/decrease in stocks and contracts-in-progress	(734)	2,086
Decrease in creditors and accruals	(492)	(2,157)
<b>Cash used in operations</b>	<u>(3,091)</u>	<u>(2,522)</u>
Interest received	17	-
Interest paid	(196)	(271)
Income taxes paid	(48)	(21)
<b>Net cash used in operating activities</b>	<u>(3,318)</u>	<u>(2,814)</u>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(158)	(4)
Proceeds from sale of fixed assets	106	266
Increase in amount due from an associated company	27	180
Increase in amount due to/( from) related parties	551	2,590
Disposal of subsidiaries, net of cash disposed	-	(2)
<b>Net cash generated from investing activities</b>	<u>526</u>	<u>3,030</u>
<b>Cash flow from financing activities</b>		
Payments made to bankers and financial institutions	(256)	(473)
Increase/(decrease) in hire purchase creditors	40	(279)
Net proceeds from rights issue	12,047	-
<b>Net cash generated from/(used in) financing activities</b>	<u>11,831</u>	<u>(752)</u>
Net increase / (decrease) in cash and cash equivalents	9,039	(536)
Cash and cash equivalents at beginning of the period	(6,073)	(5,282)
Effect of exchange differences on opening cash	68	92
<b>Cash and cash equivalents at end of the period</b>	<u>3,034</u>	<u>(5,726)</u>
<b>Cash and cash equivalents comprise the following:-</b>		
Cash at bank and in hand	875	-
Bank overdraft	(3,507)	205
Fixed deposits	5,666	(5,931)
	<u>3,034</u>	<u>(5,726)</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Changes in equity - Group (\$'000)	Share Capital	Share Premium *	Translation Reserve	Accumulated Losses	Total
<b>As at 1 April 2006</b>	32,342	-	37	(52,232)	(19,853)
Foreign currency translation arising on consolidation	-	-	68	-	68
Net proceeds from rights issue	12,047	-	-	-	12,047
Net loss for the period	-	-	-	(1,964)	(1,964)
<b>As at 30 September 2006</b>	<b>44,389</b>	<b>-</b>	<b>105</b>	<b>(54,196)</b>	<b>(9,702)</b>
<b>As at 1 April 2005</b>	20,752	11,595	(25)	(45,177)	(12,855)
Foreign currency translation arising on consolidation	-	-	15	-	15
Expenses on issue of ordinary shares	-	(55)	-	-	(55)
Net loss for the period	-	-	-	(2,653)	(2,653)
<b>As at 30 September 2005</b>	<b>20,752</b>	<b>11,540</b>	<b>(10)</b>	<b>(47,830)</b>	<b>(15,548)</b>
Changes in equity - Company (\$'000)	Share Capital	Share Premium*	Translation Reserve	Accumulated Losses	Total
<b>As at 1 April 2006</b>	32,342	-	-	(50,328)	(17,986)
Net proceeds from rights issue	12,047	-	-	-	12,047
Net loss for the period	-	-	-	(1,351)	(1,351)
<b>As at 30 September 2006</b>	<b>44,389</b>	<b>-</b>	<b>-</b>	<b>(51,679)</b>	<b>(7,290)</b>
<b>As at 1 April 2005</b>	20,752	11,595	-	(44,582)	(12,235)
Expenses on issue of ordinary shares	-	(55)	-	-	(55)
Net loss for the period	-	-	-	(1,803)	(1,803)
<b>As at 30 September 2005</b>	<b>20,752</b>	<b>11,540</b>	<b>-</b>	<b>(46,385)</b>	<b>(14,093)</b>

\* : On 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" was abolished and on that date, the shares of the Company ceased to have a par value. In addition, the amount standing in the share premium reserve had become part of the Company's share capital.

**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

415,045,060 Rights Shares at S\$0.03 per Rights Share and 207,522,527 free Warrants were issued by the Company pursuant to the Rights Issue exercise completed in August 2006 and the Rights Shares and Warrants were listed and quoted on the Official List of the SGX-ST on 8 August 2006 and 10 August 2006 respectively.

The Rights Shares were issued at an issue price of S\$0.03 for each Rights Share. Each warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.05 for each new share, on the basis of two (2) Rights Shares with one (1) Warrant for every two (2) existing ordinary shares in the Capital of the Company held at the book closure date of the Rights Issue exercise.

The issued share capital of the Company has increased from 415,045,060 shares to 830,090,120 shares after the completion of the Rights Issue exercise and the issued share capital of the Company was increased from S\$32.342 million to S\$44.389 million.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to review Financial Statements), or an equivalent standard).**

The figures have not been audited or reviewed by its auditors, Messrs Ernst & Young.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The financial statements have been prepared in compliance with the same accounting policies and methods of computation adopted in the audited financial statements of the last financial year, except where new/revised financial reporting standards (FRSs) became effective from this financial year.

The adoption of the new/revised FRSs do not have any significant financial impact on the Group.

**5. If there are any changes in the accounting policies and methods of computation, including any required by any accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

**6. Earnings per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	6 months ended 30 Sept 2006	6 months ended 30 Sept 2005
Earnings per ordinary share:		
(i) Based on weighted average number of ordinary shares in issue	(0.33) cents	(0.64) cents
(ii) On a fully diluted basis	(0.33) cents	(0.64) cents

The computation of earnings per ordinary share is based on weighted average number of shares of 574,699,060 (30 Sept 2005: 415,045,060 shares).

**7. Net asset value (for the issuer and the Group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group		Company	
	As at 30 Sept 2006	As at 31 Mar 2006	As at 30 Sept 2006	As at 31 Mar 2006
Net asset value per ordinary share (cents)	(1.17)	(4.78)	(0.88)	(4.33)

Net asset value per ordinary share for the Group and Company is based on 830,090,120 shares (31 March 2006: 415,045,060 shares).

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on (including where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on**

For the six months ended 30 September 2006, the Group has been very cautious in taking on new construction projects in Singapore due to the competitive environment in the construction industry. It has continued its focus on projects outside Singapore.

As a result of lesser construction projects taken on, the Group has achieved a lower revenue of S\$0.9 million for the six months ended 30 September 2006. This was S\$2.5 million or 73% lower than the revenue of S\$3.4 million secured for the same period last year.

The total operating costs was reduced by S\$3.4 million or 56% for the period under review mainly due to the following reasons:-

- (a) Raw materials and consumables used reduced by S\$2.4 million due to lesser construction projects executed.
- (b) Staff costs and other expenses reduced by S\$1.0 million as a result of the cost control measures taken by the management.

After taking into account the finance costs of S\$196,000 and under provision of prior year tax of S\$44,000, the Group registered a lower loss after taxation of S\$1.9 million for the period under review as compared to the loss of S\$2.7 million incurred for the same period last year.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

There was no forecast or prospect statement which has been previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 6 months.**

The construction industry in Singapore remains very competitive. Hence, the Group will continue to be very selective in taking on new projects in Singapore. In August 2006, the Group has successfully completed the Rights Issue exercise and received a net proceeds of approximately S\$12 million which is being used for working capital purpose.

On 27 September 2006, the Company had entered into a conditional sale and purchase agreement with Eligro Sdn Bhd, Lereno Sdn Bhd and the shareholders of Eligro Sdn Bhd to acquire 38% of the total share capital of Lereno Sdn Bhd via issuing of 350,000,000 new MAE shares at S\$0.05 each. Upon successful completion of the conditional sale and purchase agreement, the Company will become the single largest shareholder of Lereno Sdn Bhd which is a specialist biodiesel manufacturer in Malaysia.

With the Lereno acquisition, the Group intends to make biofuel and its related business as a new core business of the Group. This is expected to have a positive impact on the business performance of the Group in future.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend recommended for the current financial period reported on? None

**(b) Corresponding Period of the immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? None

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared/recommended, a statement to that effect**

No dividend has been declared/recommended for the half-year.

### 13. Interested Person Transactions

The aggregate value of interested person transactions is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
<u>Revenue</u>	S\$'000	S\$'000
Secondment charges billed to Bintai Kindenko Pte Ltd	-	145
<u>Costs and expenses</u>		
Project expenses paid on behalf by Bintai Integrated Engineering & Construction Sdn Bhd	-	698
Office rental billed by Sun Continental Investment & Trading Pte Ltd	-	114

#### BY ORDER OF THE BOARD

**ONG PUAY KOON**  
Managing Director and Chief Executive Officer  
MAE ENGINEERING LTD

10 November 2006

#### CONFIRMATION BY THE BOARD

We, ONG PUAY KOON and KONG MUN KWONG, being two directors of MAE Engineering Ltd ("the Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the first half year 2007 financial results to be false or misleading.

On behalf of the Board of Directors

**ONG PUAY KOON**  
Managing Director and Chief Executive Officer

**KONG MUN KWONG**  
Executive Director