

b) Direct Focus on Energy Resources

With the rapid development of China's economy, the demand for energy resources is immense. The establishment of SPI in Indonesia and the co-operation with CMEC are good investment opportunities which allow the Group to enhance its spectrum of products in the area of power generation. They also bring along the opportunity for further expansion in natural energy business in Indonesia.

Forward looking, as there is great demand for marine fuel oil and bitumen derived from power generation in the future, the Group will build on these new energy projects and work closely with our new partners by tapping on their extensive experience in technical support, construction, sub-contracting and solid marketing network both in the PRC and overseas for the bitumen extraction project. The Group expects the bitumen mine to undergo pilot operation by the end of 2006 and operate at the first quarter of 2007. For phase 1 of the bitumen extraction project, a minimum of 1,200,000 metric tons of marine fuel oil and a minimum of 50,000 metric tons of asphalt modifier will be produced. The Group hopes to generate profit from these new investments in the near future.

FINANCIAL REVIEW

The Group generally finances its operations with internally generated cash flows. As at 30 September 2005, the Group had bank and cash balances of approximately HK\$50.1 million (31 March 2005: approximately HK\$38.6 million). Its gearing ratio calculated as a ratio of debt to equity was nil (31 March 2005: nil). Net current assets totalled HK\$145.3 million (31 March 2005: HK\$144.6 million) and the current ratio was maintained at the strong level of approximately 9.67 (31 March 2005: approximately 4.34).

CAPITAL COMMITMENTS

The Group had the following capital commitments as at 30 September 2005 and 31 March 2005

	As at 30 September 2005 HK\$'000	As at 31 March 2005 HK\$'000
Authorised and contracted for in respect of investment in a joint venture company	<u>44,811</u>	<u>44,811</u>

