



Chartered Accountants
Certified Public Accountants

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**AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHINA FINANCIAL INDUSTRY INVESTMENT FUND LIMITED
(FORMERLY KNOWN AS FIRST ASIA CAPITAL INVESTMENT LIMITED)**

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 14 to 29 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTIES

In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in Note 2(b) to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which is dependent on the continuing financial support from the executive directors of the Company. The financial statements do not include any adjustments that would result from a failure of the Company to operate as a going concern. If the going concern basis is not used, adjustments would have to be made to the financial statements to reduce the value of the Company's assets to their recoverable amounts and to provide for any further liabilities which might arise.

In forming our opinion, we have also considered the adequacy of disclosures made in the financial statements concerning the carrying value of the Company's interests in Hong Xiang Petroleum International Holdings Limited ("Hong Xiang"). As set out in Note 2(b) to the financial statements, the Company's interests in Hong Xiang were disposed of after the year end date in exchange for four new investments. As at the date of approval of these financial statements, the disposal and the four exchange transactions have not yet been completed. The realisable value of Hong Xiang as at 31 December 2004 is dependent upon successful completion of the four transactions, the continuing financial support from the executive directors of the Company to facilitate the completions, and the fair values of the four new investments which the Company is to acquire. Should those transactions be failed to complete, appropriate adjustment against the carrying value of the Company's investment securities might be required. Details of these transactions are set out in Note 12 and 21 to the financial statements.

We consider that appropriate disclosures relating to these fundamental uncertainties have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of its loss and cash flows for the year then ended have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng

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Hong Kong, 20 May 2005