

第一亞洲

FIRST ASIA

First Asia Capital Investment Limited

第一亞洲資本投資有限公司

(incorporated in the Cayman Islands with limited liability)



2003

Interim Report

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CORPORATE INFORMATION

Directors

Executive Directors

Li Sze Tang (*Chairman*)
Tang Yu Lap
Chiu Sui Keung

Independent Non-executive Directors

Kwok Ming Wa
Wang Tianye

Company Secretary

Li Sze Tang

Audit Committee

Kwok Ming Wa
Wang Tianye

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Principal Bankers

Standard Chartered Bank

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Principal Place of Business

Room 1502
15th Floor
World Wide House
19 Des Voeux Road
Central
Hong Kong

Custodian

Standard Chartered Bank
15th Floor
Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of First Asia Capital Investment Limited (the “Company”) is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 June 2003. These interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

Business Review

As at 30 June 2003, investment portfolio of the Company consisted of listed securities in Hong Kong with a total market value of HK\$20,781,000.

The Board considers that it is appropriate for the Company to retain financial resources at present to enable it to seize new and attractive investment opportunities as and when they arise. Therefore, the Board has resolved not to recommend a dividend.

For the six months ended 30 June 2003, the Company recorded a net profit of HK\$2,006,000 and this was mainly attributable to the realised gain on disposal of trading securities of HK\$1,159,000 and the net unrealised holding gains of the Company’s investment in listed securities of HK\$3,690,000.

Against the above background, nevertheless, the Company is managing a portfolio of good-quality listed company securities covering a range of industry sectors to achieve risk diversification. The portfolio consisted of Changchun Da Xing Pharmaceutical Company Limited, Global Link Communications Holdings Limited, Kanhan Technologies Group Limited, Thiz Technology Group Limited and WLS Holdings Limited. Dividend income totalling HK\$100,000 was received by the Company during the period. The Board is optimistic as to future prospects of these companies in their respective lines of businesses, and expect attractive return on investments and medium-term capital appreciation.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2003.

Liquidity and Financial Resources

As at 30 June 2003, the Company had retained cash of HK\$31,000 (31 December 2002: HK\$3,569,000). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Company had net current assets of HK\$25,259,000 (31 December 2002: HK\$23,253,000) and no borrowings or long term liabilities as at 30 June 2003, which positions the Company advantageously to pursue its investment strategies and new investment opportunities. The gearing ratio, calculated on the basis of total liabilities over total shareholders’ funds as at 30 June 2003, was 0.047 (31 December 2002: 0.025).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Employees

As at 30 June 2003, the Company had 7 (31 December 2002: 7) employees, including executive and independent non-executive directors of the Company. Total staff costs for the interim period amounted to HK\$796,000 (31 December 2002: HK\$485,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

Charges on the Company's Assets and Contingent Liabilities

There were no charges on the Company's assets or any significant contingent liabilities as at 30 June 2003.

OTHER INFORMATION

Directors' Interests in Equity or Debt Securities

As at 30 June 2003, the interest of the directors and chief executive in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of directors	Number of ordinary shares of the Company held			Total	% of issued shares
	Personal interest	Family interest	Corporate interest		
Mr Li Sze Tang	-	-	10,000,000 <i>(Note)</i>	10,000,000	20%

Note: These shares are held by First Asia International Holdings Limited, the entire issued share capital of which is held as to 60% by Mr Li Sze Tang and as to 40 % by Madam Wong Lap Woon (the spouse of Mr Li Sze Tang).

Other than as disclosed above, none of the Directors or chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period was the Company or its holding company a party to any arrangements to enable the directors acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Share Options

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions. No options were granted to the directors of the Company during the six months ended 30 June 2003.

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 June 2003.

OTHER INFORMATION *(continued)*

Substantial Shareholders

As at 30 June 2003, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Number of ordinary shares held	% of issued shares
First Asia International Holdings Limited <i>(Note)</i>	10,000,000	20%

Note: The entire issued share capital of First Asia International Holdings Limited is held as to 60% by Mr Li Sze Tang and as to 40% by Madam Wong Lap Woon (the spouse of Mr Li Sze Tang).

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 June 2003.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2003, the Company has not purchased, sold nor redeemed any of its listed securities.

Compliance with the Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange at any time during the six months ended 30 June 2003.

Audit Committee

The Audit Committee, comprising two independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financing reporting matters including a review of the Company's unaudited interim financial statements for the six months ended 30 June 2003.

Other Matters

On 11 September 2003, Mr Tang Yu Lap has resigned as Executive Director of the Company with effect from 15 December 2003.

By order of the Board

First Asia Capital Investment Limited

Li Sze Tang
Chairman

Hong Kong, 23 September 2003

CONDENSED INCOME STATEMENT

for the six months ended 30 June 2003

	<i>Note</i>	Six months ended 30 June 2003 (Unaudited) <i>(Note 1)</i> HK\$'000
Turnover	2	1,259
Other Revenue	2	9
Other Income		3,715
Other Operating Expenses		(2,285)
Operating Profit	4	2,698
Taxation	5	(692)
Net Profit Attributable to Shareholders	10	2,006
Interim Dividend	6	–
Earnings per share	7	
Basic		HK4.01 cents
Diluted		N/A

The notes on pages 11 to 14 form part of this condensed interim financial statements.

CONDENSED BALANCE SHEET

at 30 June 2003

	Note	30 June 2003 (Unaudited) (Note 1) HK\$'000	31 December 2002 (Audited) (Note 1) HK\$'000
Current Assets			
Trading securities	8	20,781	19,753
Account receivable		5,000	–
Dividends receivable		–	131
Cash and bank balances		31	3,569
Deposits and prepayment		636	382
		<u>26,448</u>	<u>23,835</u>
Less: Current Liabilities			
Accrued charges and other accounts payable		13	98
Deferred taxation	11	1,176	484
		<u>1,189</u>	<u>582</u>
Net Assets		<u>25,259</u>	<u>23,253</u>
Capital and Reserves			
Share capital	9	500	500
Reserves	10	24,759	22,753
Shareholders' Funds		<u>25,259</u>	<u>23,253</u>

The notes on pages 11 to 14 form part of this condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2003

	Six months ended 30 June 2003			
	Share capital	Share premium	Retained profits	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2003	500	21,091	1,662	23,253
Profit for the period	—	—	2,006	2,006
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	500	21,091	3,668	25,259
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 14 form part of this condensed interim financial statements.

CONDENSED CASH FLOW STATEMENT

for the six months ended 30 June 2003

	Six months ended 30 June 2003 (Unaudited) <i>(Note 1)</i> HK\$'000
Net Cash Outflow from Operating Activities	(3,513)
Net Cash Used in Financing Activities	(25)
Net Decrease in Cash and Cash Equivalents	(3,538)
Cash and Cash Equivalents at Beginning of the Period	3,569
Cash and Cash Equivalents at End of the Period	<u>31</u>
Analysis of the Balances of Cash and Cash Equivalents	
Cash and bank balances	<u>31</u>

The notes on pages 11 to 14 form part of this condensed interim financial statements.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2003

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Company was incorporated in the Cayman Islands on 28 June 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 September 2002.

The condensed unaudited interim financial statements ("Interim Report") have been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and compliance with Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants (the "HKSA") except that, in this first year of implementation of the Standard, as permitted by the Listing Rules, no comparative figures have been presented for the condensed income statement, condensed statement of changes in equity and condensed cash flow statement.

(b) Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of this Interim Report are consistent with those in the Company's most recent published audited financial statements for the period from 28 June 2002 (date of incorporation) to 31 December 2002, except the Company has adopted the revised SSAP No. 12 "Income Taxes" issued by the HKSA which is effective for the accounting periods commencing on or after 1 January 2003.

In the current period, the Company has adopted, for the first time, the revised SSAP 12. The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. Since the adoption of this revised SSAP had no material impact of on the Company's financial statements in prior period, comparative figures have not been restated.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2003

2. TURNOVER AND OTHER REVENUE

The Company is principally engaged in investment in listed and unlisted companies in Hong Kong and the People's Republic of China (the "PRC").

Turnover represents dividend received and receivable and realised gain on disposal of trading securities during the period. The amount of each significant category of revenue recognised during the period are as follows:

	Six months ended 30 June 2003 (Unaudited) HK\$'000
Turnover:	
Dividend income from investment in listed securities	100
Realised gain on disposal of trading securities	1,159
	1,259
Other Revenue:	
Other interest income	4
Sundry income	5
	9
Total revenue	1,268

3. SEGMENT INFORMATION

No business or geographical analysis of the Company's performance for the period is provided as all of the turnover and contributions to operating results of the Company are attributable to investment in equity securities listed in Hong Kong. In addition, the assets and liabilities are located and arose in Hong Kong respectively.

4. OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):

	Six months ended 30 June 2003 (Unaudited) HK\$'000
Total staff costs, including directors' emoluments	796
Net unrealised gains on trading securities	(3,690)
	(2,894)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2003

5. TAXATION

No provision for Hong Kong profits tax has been made as the Company incurred a taxation loss for the period.

The amount of taxation charged to the condensed income statement represents:

	Six months ended 30 June 2003 (Unaudited) HK\$'000
Deferred taxation relating to the origination of temporary differences	646
Deferred taxation resulting from an increase in tax rate	46
	692
Total taxation charge	692

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2003.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Company's net profit attributable to the shareholders of HK\$2,006,000 divided by the weighted average number of shares outstanding during the period, being 50,000,000.

There were no dilutive potential shares during the period end, therefore, no diluted earnings per share have been presented.

8. TRADING SECURITIES

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK'000
Equity securities listed in Hong Kong, at fair value	20,781	19,753

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2003

9. SHARE CAPITAL

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
<i>Authorised:</i>		
200,000,000 ordinary shares of HK\$0.01 each	<u>2,000</u>	<u>2,000</u>
<i>Issued and fully paid:</i>		
50,000,000 ordinary shares of HK\$0.01 each	<u>500</u>	<u>500</u>

10. RESERVES

	Share premium (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 28 June 2002	–	–	–
Issuance of shares at premium	24,500	–	24,500
Share issue expenses	(3,409)	–	(3,409)
Profit attributable to shareholders	<u>–</u>	<u>1,662</u>	<u>1,662</u>
At 31 December 2002 and at 1 January 2003	21,091	1,662	22,753
Profit attributable to shareholders	<u>–</u>	<u>2,006</u>	<u>2,006</u>
At 30 June 2003	<u>21,091</u>	<u>3,668</u>	<u>24,759</u>

11. DEFERRED TAXATION

The movement in deferred tax liabilities during the period is as follows:

Deferred tax liabilities

	Trading Securities 30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
At 1 January 2003/28 June 2002	484	–
Charged to income statement	<u>692</u>	<u>484</u>
At 30 June 2003/31 December 2002	<u>1,176</u>	<u>484</u>

12. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2003, the Company paid investment management fee of HK\$280,000 to Hantec Asset Management Limited, in which Mr Tang Yu Lap has beneficial interests.

13. APPROVAL OF INTERIM REPORT

The Interim Report was approved by the Board of Directors on 23 September 2003.