

Management Discussion and Analysis

The board of directors of First Asia Capital Investment Limited (the “Company”) (the “Board”) is pleased to present to the shareholders the annual report for the year ended 31 December 2003.

BUSINESS REVIEW

The Company is principally engaged in investing in listed and unlisted companies in Hong Kong and in the People’s Republic of China (the “PRC”). There was no change in the nature of the Company’s principal activity during the year. As at 31 December 2003, total market value of the Company’s trading securities amounted to HK\$6,675,000 (2002: HK\$19,753,000) and investment securities amounted to HK\$5,000,000 (2002: Nil).

The Board considered 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 financial year under review, the Company recorded a net loss of HK\$12,096,000 (2002: profit of HK\$1,662,000). This was mainly attributable to the net realised loss on disposal of trading investment of HK\$1,004,000 and net unrealised holding loss of the Company’s investment in listed securities of HK\$7,529,000.

The above adverse result was affected by the high volatility in the Hong Kong stock market, especially in the first half of the financial year under review. The outbreak of Severe Acute Respiratory Syndrome (“SARS”) and the uncertainty overwhelmed by the war in Iraq had led to dramatic fall in the benchmark stock indice, the Heng Seng Index (“HSI”) had at one stage dropped to the low level of 8,331.87. In the second half of 2003, the central government had implemented various measures to boost Hong Kong’s economy such as individual travel permit granted to residents of the PRC and the Closer Economic Partnership Arrangement. Since then, Hong Kong’s economy started to pick up strongly.

The Company was managing a portfolio of diversified 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, Hua Lien International (Holding) Company Limited, Thiz Technology Group Limited and WLS Holdings Limited. Apart from the above listed securities, the Company had also made an investment in an unlisted company, Hong Xiang Petroleum International Holdings Limited, which is foreseen by the management as a profitable investment. Dividend income totalling HK\$100,000 (2002: HK\$131,000) was received by the Company during the financial year under review. The Board is optimistic to the future prospects of these companies in their respective lines of business, and is expecting attractive return on investments and medium-term capital appreciation. Further details of the Company’s investment portfolio are set out in the audited financial statements.

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LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Company had retained cash of HK\$54,000 as at 31 December 2003 (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\$6,157,000 (2002: HK\$23,253,000) and no borrowings or long term liabilities as at 31 December 2003, which put the Company in a advantageous position 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 31 December 2003, was 0.063 (2002: 0.025).

EMPLOYEES

As at 31 December 2003, the Company had 6 (31 December 2002: 7) employees, including executive and independent non-executive directors of the Company. Total staff costs for the year under review amounted to HK\$1,598,000 (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.

During the year under review, no option has been granted or agreed to be granted under the share option scheme.

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 31 December 2003.

PROSPECTS

In 2004, the Company will continue to identify and pursue investment opportunities in Hong Kong and the PRC in accordance with the Company's investment objectives and policies.

The remarkable economic growth in the PRC is expected to continue in the coming years. Direct foreign investments in the PRC will also be strong and positive. The Board believes that Hong Kong can take advantage of the booming economy of the PRC to sustain a strong rebound of domestic economy in the coming years. The Company will closely monitor its underlying investment portfolio and make further investments and/or divestments to capture the opportunities arise in Hong Kong and/or the PRC.

In light of the stimuli advocated by the central government to boost domestic economy, the Company has an optimistic view on Hong Kong's economic prospect. The Company will work closely with its investment manager to identify suitable investment targets and to continue to make investments with substantial growth potential in short to medium term in order to maximising return to shareholders. We are of the opinion that any short-term turbulence in the capital markets may actually represent opportunities to acquire profitable investment.

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APPRECIATION

On behalf of the Board of Directors, I would like to express my appreciation to the shareholders for their continued support and to the investment manager for their dedicated efforts since the Company's listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On behalf of the Board

Li Sze Tang

Chairman

Hong Kong, 27 April 2004