

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)

(to be renamed as "China Financial Industry Investment Fund Limited 中國金融產業投資基金有限公司")

A golden globe is the central focus, resting on a scale. The background is filled with various currency notes and coins, all in shades of gold, creating a rich, textured appearance. The lighting is warm and bright, highlighting the metallic surfaces.

INTERIM REPORT 2004



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CORPORATE INFORMATION

Directors

Executive Directors

Li Sze Tang (*Chairman*)

Wu Tse Wai, Frederick

(appointed on 6 January 2004)

Tam Wai Keung, Billy

(appointed on 26 July 2004)

Chiu Sui Keung

(resigned on 6 January 2004)

Independent Non-executive Directors

Chow Wan Hoi, Paul

(appointed on 5 July 2004)

Hui Wing Sang, Wilson

(appointed on 5 July 2004)

Kwok Ming Wa

(resigned on 19 July 2004)

Wang Tianye

(resigned on 5 July 2004)

Company Secretary

Li Sze Tang

Audit Committee

Chow Wan Hoi, Paul

(appointed on 5 July 2004)

Hui Wing Sang, Wilson

(appointed on 5 July 2004)

Kwok Ming Wa

(resigned on 19 July 2004)

Wang Tianye

(resigned on 5 July 2004)

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 3505-06

35th Floor

Edinburgh Tower

The Landmark

15 Queen's 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 2004. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

Business Review and Prospects

As at 30 June 2004, investment portfolio of the Company consisted of listed securities in Hong Kong with a total market value of HK\$2,421,000 (31 December 2003: HK\$86,675,000) and investment securities amounted to HK\$5,000,000 (31 December 2003: HK\$5,000,000).

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 2004, the Company recorded a net loss of HK\$4,359,000 (30 June 2003: net profit of HK\$2,006,000) and this was mainly attributable to the realised loss on disposal of trading securities of HK\$1,068,000 (30 June 2003: gain of HK\$1,159,000) and the net unrealised holding loss of the Company's investment in listed securities of HK\$2,434,000 (30 June 2003: gain of HK\$3,690,000).

The above adverse result was affected by the high volatility in the Hong Kong stock market, which went down after the booming in early 2004. With the macro-adjustment measures taken by Mainland, cooling down of the property market and concern of changes in interest rate, the Hang Seng Index ("HSI") shrank for approximately 3,000 points within 3 months. In order to minimise the risk of the Company, the Company realised part of the trading securities. In June 2004, the environment has been improved and the drop of HSI narrowed. 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 Global Link Communications Holdings Limited, Argos Enterprise Holdings 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. The Company did not receive any dividend income (30 June 2003: HK\$100,000) during the period ended 30 June 2004. 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.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2004 (2003: Nil).

Liquidity and Financial Resources

As at 30 June 2004, the Company had retained cash of HK\$63,000 (31 December 2003: HK\$54,000). 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\$1,798,000 (31 December 2003: HK\$6,157,000) and no borrowings or long term liabilities as at 30 June 2004, 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 2004, was 0.150 (31 December 2003: 0.063).

Employees

As at 30 June 2004, the Company had 6 (31 December 2003: 6) employees, including executive and independent non-executive directors of the Company. Total staff costs for the interim period amounted to HK\$388,000 (30 June 2003: HK\$796,000). 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 2004 (2003: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Directors' and Chief Executives Interests in Equity or Debt Securities

As at 30 June 2004, 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 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") and in accordance with information received by the Company were as follows:

Name of director	Number of ordinary shares of the Company held				% of issued shares
	Personal interest	Family interest	Corporate interest	Total	
Mr Li Sze Tang	–	–	10,000,000 (Note)	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 below, at no time during the period was the Company or its holding company a party to any arrangements to enable the directors to 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 2004.

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 2004.



OTHER INFORMATION

Substantial Shareholders

As at 30 June 2004, 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
Mr Wong Kam Fu (<i>Note 1</i>)	12,372,000	24.744%
Shanghai Sky Investments Limited (<i>Note 1</i>)	10,000,000	20%
First Asia International Holdings Limited (<i>Note 2</i>)	10,000,000	20%
Mr Li Sze Tang (<i>Note 2</i>)	10,000,000	20%
Madam Wong Lap Woon (<i>Note 2</i>)	10,000,000	20%
Mr Lee Shi Tat	2,896,000	5.792%

Note: (1) Mr Wong Kam Fu owns the entire interest of Shanghai Sky Investments Limited and Super Biotech Enterprises Limited. Shanghai Sky Investments Limited owns 10,000,000 shares representing 20% of the entire issued shares of the Company and Super Biotech Enterprises Limited owns 2,372,000 shares representing 4.744% of the entire issued shares of the Company. Accordingly, Mr Wong Kam Fu is deemed to be interested in the shares through his interest in Shanghai Sky Investments Limited and Super Biotech Enterprises Limited.

(2) 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 2004.



OTHER INFORMATION (CONTINUED)

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

During the six months ended 30 June 2004, 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 (the "Code") 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 2004, except that the independent non-executive directors of the Company are not appointed on specific terms as required by paragraph 7 of the Code but are subject to retirement and rotation of directors under the Articles of Association of the Company.

Compliance with Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 of the Listing Rules, throughout the six months ended 30 June 2004. After having made specific enquiry to all directors of the Company, the directors are of the opinion that they have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the six months ended 30 June 2004.

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 2004.

On behalf of the Board

First Asia Capital Investment Limited

Li Sze Tang

Chairman

Hong Kong, 23 September 2004



CONDENSED INCOME STATEMENT

for the six months ended 30 June 2004

	Note	Six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	-	100
Other Revenue	2	-	9
Other Income		-	25
Net Realised (Loss)/ Gain on Disposal of Trading Securities		(1,068)	1,159
Net Unrealised Holding (Loss)/Gain on Trading Securities		(2,434)	3,690
Other Operating Expenses		(857)	(2,285)
(Loss)/Profit on Ordinary Activities before Taxation	4	(4,359)	2,698
Taxation	5	-	(692)
Net (Loss)/Profit Attributable to Shareholders	10	(4,359)	2,006
Interim Dividend	6	-	-
(Loss)/Earnings per share	7		
Basic		HK (8.72 cents)	HK 4.01 cents
Diluted		N/A	N/A

The notes on pages 12 to 14 form part of this condensed interim financial statements.

**CONDENSED BALANCE SHEET**

at 30 June 2004

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	<i>Note</i>		
Non-current Assets			
Investment securities		5,000	5,000
Current Assets			
Trading securities	8	2,421	6,675
Prepayments, deposits and other receivables		335	129
Cash and bank balances		63	54
		2,819	6,858
Less: Current Liabilities			
Accrued charges and other accounts payables		671	551
Amount due to a related company		350	150
Deferred taxation	11	-	-
		1,021	701
Net Current Assets		1,798	6,157
Net Assets		6,798	11,157
Capital and Reserves			
Share capital	9	500	500
Reserves	10	6,298	10,657
Shareholders' Funds		6,798	11,157

The notes on pages 12 to 14 form part of this condensed interim financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY***for the six months ended 30 June 2004*

	Six months ended 30 June 2004			
	Share capital (Unaudited)	Share premium (Unaudited)	Retained profits/ losses (Accumulated (Unaudited))	Total (Unaudited)
	<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
At 30 June 2003	500	21,091	3,668	25,259
At 1 January 2004	500	21,091	(10,434)	11,157
(Loss) for the period	–	–	(4,359)	(4,359)
At 30 June 2004	500	21,091	(14,793)	6,798

The notes on pages 12 to 14 form part of this condensed interim financial statements.

**CONDENSED CASH FLOW STATEMENT***for the six months ended 30 June 2004*

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net Cash Outflow from Operating Activities	(191)	(3,513)
Net Cash Inflow from/(Used in) Financing Activities	200	(25)
Net Increase/(Decrease) in Cash and Cash Equivalents	9	(3,538)
Cash and Cash Equivalents at Beginning of the Period	54	3,569
Cash and Cash Equivalents at End of the Period	63	31
Analysis of the Balances of Cash and Cash Equivalents		
Cash and bank balances	63	31

The notes on pages 12 to 14 form part of this condensed interim financial statements.

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS***for the six months ended 30 June 2004***1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Preparation**

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 Institute of Certified Public Accountants (the "HKICPA") (previously named Hong Kong Society of Accountants).

(b) Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of this Interim Report are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 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 during the period. The amount of each significant category of revenue recognised during the period are as follows:

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover:		
Dividend income from investment in listed securities	–	100
Other Revenue:		
Other interest income	–	4
Sundry income	–	5
	–	9
Total revenue	–	109

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 (LOSS)/PROFIT

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

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Total staff costs, including directors' emoluments	388	796
Net unrealised loss/(gain) on trading securities	2,434	(3,690)
Net realised loss/(gain) on trading securities	1,068	(1,159)

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)***for the six months ended 30 June 2004***5. TAXATION**

No provision for Hong Kong profits tax has been made as the Company incurred a taxation loss for the period (2003: Nil).

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

	Six months ended 30 June 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Deferred taxation relating to the origination of temporary differences	-	646
Deferred taxation resulting from an increase in tax rate	-	46
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 2004.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the Company's net loss attributable to the shareholders of HK\$4,359,000 (30 June 2003: net profit attributable to the shareholders of HK\$2,006,000) divided by the number of shares outstanding during the period, being 50,000,000.

There were no dilutive potential shares during the periods ended 30 June 2003 and 30 June 2004, therefore, no diluted earnings per share have been presented.

8. TRADING SECURITIES

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	2,421	6,675

9. SHARE CAPITAL

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<i>Authorised:</i> 200,000,000 ordinary shares of HK\$0.01 each	2,000	2,000
<i>Issued and fully paid:</i> 50,000,000 ordinary shares of HK\$0.01 each	500	500



NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
for the six months ended 30 June 2004

10. RESERVES

	Share premium (Unaudited) <i>HK\$'000</i>	Retained profits/ (Accumulated losses) (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 January 2003	21,091	1,662	22,753
Loss for the year	–	(12,096)	(12,096)
At 31 December 2003 and at 1 January 2004	21,091	(10,434)	10,657
Loss for the period	–	(4,359)	(4,359)
At 30 June 2004	21,091	(14,793)	6,298

11. DEFERRED TAXATION

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

Deferred tax liabilities

	Trading Securities	
	30 June 2004 (Unaudited) <i>HK\$'000</i>	31 December 2003 (Audited) <i>HK\$'000</i>
At 1 January 2004/2003	–	(484)
Charged to income statement	–	484
At 30 June 2004/31 December 2003	–	–

12. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2004, the Company paid investment management fee of HK\$140,000 (30 June 2003: HK\$280,000) to Hantec Asset Management Limited in which a former director of the Company, Mr Tang Yu Lap, has beneficial interests.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

14. SUBSEQUENT EVENTS

Pursuant to a special resolution passed on 25 August 2004, the Company's name will be changed from First Asia Capital Investment Limited to China Financial Industry Investment Fund Limited.

15. APPROVAL OF INTERIM REPORT

The Interim Report was approved by the Board of Directors on 23 September 2004.