

On behalf of the board of directors (the “Board”) of Radford Capital Investment Limited (the “Company”), I would like to present the annual report and the audited consolidated result of the Company and its subsidiaries (the “Group”) for the period from 14th August, 2001 (date of incorporation) to 31st December, 2002 (the “Period”).

BUSINESS REVIEW

Initial public offering and placing

The Company became a listed company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28th February, 2002. The aggregate proceeds raised via the Company’s initial public offering and placement together with the subscription by its substantial shareholder and initial investor of the Company’s shares during the listing on the Stock Exchange were approximately HK\$180 million.

Investment management

Asia Investment Management Limited (“AIM”) was appointed as the investment manager of the Company pursuant to the investment management agreement dated 11th February, 2002. Subsequently, the Company appointed Sinox Fund Management Limited (“Sinox”) as its second investment manager on 29th April, 2002 in order to maximize its exposure to a wider spectrum of investment opportunities. By such appointment of additional investment manager, the Company incurred no additional investment management fee and/or performance management fee (collectively “Fees”) since AIM and Sinox equally shared the Fees pursuant to the investment management agreements dated 11th February, 2002 and 20th March, 2002 respectively. AIM informed the Company that it resigned as the investment manager of the Company with effect from 1st May, 2002. Sinox has then been retained as the only investment manager of the Company.

With the view to maximize the Company’s investment return by capturing a wider spectrum of investment opportunities, the Company decided to appoint CU Investment Management Limited (“CUIM”) as its research consultant on 27th September, 2002 to provide the Company and Sinox with research reports on potential investments. The appointment of CUIM did not incur additional costs to the Company since Sinox and CUIM would equally share the Fees pursuant to the investment management agreement dated 19th August, 2002.

Investment portfolio

The Group has made investments in accordance with its investment objective and policies which were set out in the prospectus of the Company dated 15th February, 2002. All investments made during the Period were listed securities in Hong Kong. Due to the sluggish global economy and financial market in Hong Kong, the Group had applied prudent investment strategy to investments with the prospect of capital appreciation in short to medium term while maintained a relatively low level of borrowings which were approximately HK\$227,000 as of 31st December, 2002. The loss incurred in this Period was exacerbated by the unrealized loss of securities investments. The Board was of the view that high unemployment rate, prolonged deflationary environment, huge government budget deficit and slump of property market in Hong Kong, and the war in Iraq put investors sidelined and, as a consequence, lead to the lack of confidence in the financial market.

As at 31st December, 2002, the Company’s portfolio was well diversified in different sectors of businesses including (i) property developing and investment in Hong Kong and the People’s Republic of China; (ii) hotel investment and operation; (iii) infrastructure investment and management; (iv) motoring school; (v) car audio business; (vi) securities investment; (vii) tire manufacturing; (viii) retailing and distribution of Chinese medicine,

western pharmaceuticals and health food; (ix) money-lending business; (x) metal trading; (xi) sales of communication products; and (xii) packaging business. The sectors such as real estate, tourism and financial industry play important roles in Hong Kong's gross domestic product. The Company expects to reap such investments upon the rebound of Hong Kong's economy.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2002, the cash and bank balance of the Group was approximately HK\$28,000. Most of the investments made during the Period were substantially financed through internal cash resources.

FOREIGN CURRENCY FLUCTUATION

All of the underlying investments and business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange risk is minimal.

PROSPECTS

Despite the announcement of the government's measures to support the property market in Hong Kong, this had improved the market sentiment for merely a short period of time. The property market still shows little sign of recovery from a five-year slump. In addition, an uncertainty outlook in global economy and the spread of pneumonia in Hong Kong have adversely affected domestic economy .

On the contrary, there is tentative sign of recovery in the economy witnessed by the drop of unemployment rate in Hong Kong which hit peak in mid-2002. The extremely low saving interest rate in Hong Kong may also lure investors back to the financial market and the property market when certain negative factors such as the weak global economy, the deflation rate and unemployment rate in Hong Kong have improved.

The Company has imposed tighter control over the operating expenses. With effect from 1st March, 2003, the staff cost has been reduced by over 10%. This will enable the Company to survive the prevailing economic downturn.

The Company will utilize the recommendation report prepared by its investment manager and research consultant to identify suitable investment opportunities and continue to make investments with growth potential in capital value in short to medium term in order to increase its shareholders' value.

EMPLOYEES

Currently, the Group has 6 employees, including 3 executive directors, who are remunerated in line with industry practice. For the period ended 31st December, 2002, the total staff costs incurred by the Group were approximately HK\$1,888,000 and there has been no significant change in the Group's remuneration policy.

APPRECIATION

The Board would like to express its appreciation to the contributions made by the staff and look forward to receiving their continued support in the future.

CHUNG Yuk Lun
Chairman

Hong Kong, 9th April, 2003