



RADFORD CAPITAL INVESTMENT LIMITED

萊福資本投資有限公司

(incorporated in the Cayman Islands with limited liability)

INTERIM REPORT

2003



The board of Directors (the “Board”) of Radford Capital Investment Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 (the “Period”).

BUSINESS REVIEW

The Group’s investment portfolio, which mainly consists of the listed securities in Hong Kong, has recorded an unaudited net loss of approximately HK\$32.7 million for the six months ended 30 June 2003. The loss of the Group was mainly due to the unrealized loss of hotel and industrial stocks contained in the Group’s investment portfolio.

The poor performance of the Hong Kong stock market was mainly due to prolonged high unemployment rate and economic deflation. With the outbreak of SARS in the second quarter of 2003, market sentiment was further dampened. The entire economy was seriously affected especially the retail, tourist and hotel sectors. Fortunately, we have finally recovered from SARS and market sentiment has improved recently.

Further to lowering the staff cost of the Group early this year, the Group has terminated the secretarial and administrative service agreement effective from July 2003 which can reduce the Group’s expenses by approximately HK\$1.1 million per annum. Moreover, the Group will negotiate with the investment manager and the research consultant to reduce their fees.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2003, the cash and bank balance of the Group was approximately HK\$17,000. Most of the investments made during the Period were substantially financed through internal cash resources and margin financing granted by the related parties.

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.

STAFF

As at 30 June 2003, the Group employed 6 employees, including 3 executive directors. Total staff costs for the Period under review amounted to approximately HK\$883,000 (2002: HK\$640,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisals and other relevant factors.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period.

PROSPECT

The Group will continue to control the operating cost at an appropriate level and enhance the underlying net asset value of the Group's investment portfolio for the benefit of shareholders.

With the implementation of various measures aiming at stimulating domestic economy by the Central Government, the prospect of Hong Kong becomes brighter and encouraging. These measures include Closer Economic Partnership Arrangement, individual travel permit to Hong Kong, proposed construction of the bridge linking up Hong Kong, Macau and Zhuhai, proposed QDII and proposed RMB denominated business to be undertaken by banks in Hong Kong. For example, with the influx of tourists from mainland China recently, their spending not only benefits the retail, tourist and hotel sectors but restores the confidence of Hong Kong citizens. If we can make use of this opportunity to attract more investment and create more jobs, our economy will have a chance to turnaround. The Board will closely monitor the Group's investment portfolio in order to capture any opportunity arising from the aforesaid stimulating measures advocated by the Central Government.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, the Company did not purchase, sell or redeem any of the Company's own securities.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 30 June 2003, the following persons (other than the directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (“SFO”):

Name of shareholder	Number of ordinary shares	Percentage
Hennabun Management Inc. (<i>Note a</i>)	290,000,000	28.43 %
Sunfull Resources Limited (<i>Note b</i>)	158,880,000	15.58 %

Note a: The entire issued share capital of Hennabun Management Inc. is beneficially owned as to 87.51% by China United International Holdings Limited, 5.95% by Hansom Eastern (Holdings) Limited, 5.95% by China Sci-Tech Holdings Limited and 0.59% by Hong Kong Pharmaceutical Holdings Limited, all of which are companies listed on the Stock Exchange.

Note b: The entire issued share capital of Sunfull Resources Limited is beneficially wholly owned by Golden Resources Development International Limited, the share of which is listed on the Stock Exchange.

Save as disclosed above, the Company had not been notified of any other person (other than the directors or chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2003.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the Period was the Company or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. The Company did not grant any right to subscribe for the shares in the Company to any directors or chief executive of the Company or their respective spouse or children under the age of 18 during the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2003, the directors and chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Director	Number of ordinary shares Personal interests
Mr. WONG Man Hung, Patrick	400,000

Saved as disclosed above, none of the directors, the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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, during the Period in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee, comprising two independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters of the Company including the review of the unaudited interim financial statements and the interim report for the Period. At the request of the Directors, the Company's external auditors, Messrs HLM & Co., have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited) For the six months ended 30 June 2003 <i>HK\$</i>	(Unaudited) For the six months ended 30 June 2002 <i>HK\$</i>
	<i>Notes</i>		
Turnover	(2)	34,772,593	2,808,459
Costs of listed securities		(38,444,429)	(2,117,855)
Net unrealised holding loss on listed securities		(24,751,073)	(20,191,742)
Other revenue		172,603	188,901
Administrative and other operating expenses		<u>(4,397,031)</u>	<u>(3,569,980)</u>
Loss from operations	(4)	(32,647,337)	(22,882,217)
Finance costs		<u>(63,494)</u>	<u>(81,055)</u>
Loss before taxation		(32,710,831)	(22,963,272)
Taxation	(5)	<u>—</u>	<u>—</u>
Net loss attributable to shareholders		<u>(32,710,831)</u>	<u>(22,963,272)</u>
Dividend	(6)	<u>—</u>	<u>—</u>
		<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	(7)	<u>3.21</u>	<u>3.27</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) At 30 June 2003 HK\$	(Audited) At 31 December 2002 HK\$
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	(8)	433,987	77,631
Investments in unlisted securities – convertible redeemable note		4,017,640	–
		4,451,627	77,631
Current assets			
Investments in listed securities		108,840,833	143,604,150
Accounts receivable		319,815	782,811
Cash and bank balances		16,571	28,487
		109,177,219	144,415,448
Current liabilities			
Other payables and accrued expenses		689,317	750,176
Short term borrowings		2,133,992	226,535
		2,823,309	976,711
Net current assets		106,353,910	143,438,737
Total assets less current liabilities		110,805,537	143,516,368
Capital and reserves			
Share capital	(9)	20,400,000	20,400,000
Reserves		90,405,537	123,116,368
		110,805,537	143,516,368

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) For the six months ended 30 June 2003 <i>HK\$</i>	(Unaudited) For the six months ended 30 June 2002 <i>HK\$</i>
Net cash used in operating activities	<u>(2,506,177)</u>	<u>(174,981,123)</u>
Net cash received from/(used in) investing activities	<u>586,804</u>	<u>(70,120)</u>
Net cash received from financing activities	<u>1,907,457</u>	<u>185,763,743</u>
Net (decrease)/increase in cash and cash equivalents	(11,916)	10,712,500
Cash and cash equivalents at 1 January	<u>28,487</u>	<u>18,000</u>
Cash and cash equivalents at 30 June	<u><u>16,571</u></u>	<u><u>10,730,500</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)			
	Share capital	Share premium	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$
At 1 January 2002	2,000	16,000	–	18,000
Issue of Shares to Hennabun Management Inc. (“Hennabun”) and Mr. Wong Man Hung, Patrick for cash	5,958,000	47,664,000	–	53,622,000
Issue of Shares by placing and public offer	14,040,000	112,320,000	–	126,360,000
Issue of Shares by exercising of share options	400,000	10,200,000	–	10,600,000
Expenses of placing and public offer	–	(7,268,010)	–	(7,268,010)
Net loss for the period	–	–	(22,963,272)	(22,963,272)
	<u>20,400,000</u>	<u>162,931,990</u>	<u>(22,963,272)</u>	<u>160,368,272</u>
At 30 June 2002				
At 1 January 2003	20,400,000	162,931,990	(39,815,622)	143,516,368
Net loss for the Period	–	–	(32,710,831)	(32,710,831)
	<u>20,400,000</u>	<u>162,931,990</u>	<u>(72,526,453)</u>	<u>110,805,537</u>
At 30 June 2003				

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2002, except for the adoption of the following new and revised SSAP, which is effective for the first time in the preparation of the unaudited condensed consolidated financial statements for the Period.

In the current period, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. 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 amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, with limited exceptions. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

2. TURNOVER

	(Unaudited) For the six months ended 30 June 2003 <i>HK\$</i>	(Unaudited) For the six months ended 30 June 2002 <i>HK\$</i>
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The analysis of turnover for the Period is as follows:

Proceeds from sale of investments in listed securities	34,147,259	2,343,339
Dividend income from investments in listed securities	625,334	465,120
	<u>34,772,593</u>	<u>2,808,459</u>

3. SEGMENT INFORMATION

The Group is principally engaged in investment holding and securities trading solely in Hong Kong for the six months ended 30 June 2003 and 2002. No segment information is presented accordingly.

4. LOSS FROM OPERATIONS

	(Unaudited) For the six months ended 30 June 2003 HK\$	(Unaudited) For the six months ended 30 June 2002 HK\$
Loss from operations have been arrived at after charging:		
Operating lease payments in respect of rented premises	175,980	175,405
Depreciation on property, plant and equipment	<u>49,030</u>	<u>6,661</u>

5. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the six months ended 30 June 2003 and 2002.

At the balance sheet date, the Group had unused tax losses of HK\$2,109,716 (2002: HK\$700,306) and unrealised holding losses on listed securities of HK\$57,461,743 (2002: HK\$35,616,574) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

7. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the Period of HK\$32,710,831 (2002: HK\$22,963,272) and on the weighted average number of 1,020,000,000 (2002: 703,039,778) shares in issue.

8. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Company acquired property, plant and equipment amounting to HK\$405,386 (2002: HK\$70,120).

9. SHARE CAPITAL

Issued and fully paid:

	(Unaudited)	(Audited)
	At 30	At 31
	June 2003	December 2002
	<i>HK\$</i>	<i>HK\$</i>
1,020,000,000 (2002: 1,020,000,000) Shares of HK\$0.02 each	<u>20,400,000</u>	<u>20,400,000</u>

10. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the Period which were carried out in the normal course of the Group's business:

Name of related party	Nature of transaction	(Unaudited)	(Unaudited)
		For the six months ended 30 June 2003 HK\$	For the six months ended 30 June 2002 HK\$
Chung Nam Securities Limited (<i>Note a</i>)	Interest expenses	57,478	81,055
Kam Kwong Company Limited (<i>Note a</i>)	Brokerage fee	167,712	440,829
CU Corporate Finance Limited (<i>Note a</i>)	Interest expenses	756	–
CU Investment Management Limited (<i>Note a</i>)	Sponsor fee	–	200,000
CU Investment Management Limited (<i>Note a</i>)	Research consultant expenses	785,370	–
CU Investment (Holdings) Limited (<i>Note a</i>)	Administrator expenses	841,200	560,800
Pacific Kingdom Investments Limited (<i>Note b</i>)	Rental expenses	168,930	168,930

Note:

- (a) These companies are direct/indirect wholly owned subsidiaries of Hennabun, the substantial shareholder of the Company. Hennabun is a subsidiary of China United International Holdings Limited ("China United"), a company listed on the Stock Exchange.
- (b) This company is an indirect wholly owned subsidiary of China United.

Certain securities of the Group were pledged for the margin financing facilities granted by the related parties, details of which are disclosed in Note 12 below and the respective outstanding balances as at 30 June 2003 and 31 December 2002, were as follows:

Name of related party	(Unaudited)	(Audited)
	At 30 June 2003 HK\$	At 31 December 2002 HK\$
Chung Nam Securities Limited	2,114,708	208,306
Kam Kwong Company Limited	19,284	18,229

11. COMMITMENTS

- (i) At 30 June 2003, the Group had lease commitments for future minimum lease payments under non-cancellable operating lease in respect of land and buildings falling due as follows:

	(Unaudited) At 30 June 2003 <i>HK\$</i>	(Audited) At 31 December 2002 <i>HK\$</i>
Within one year	<u>168,930</u>	<u>337,860</u>

- (ii) Pursuant to the investment management agreement dated 19 August 2002 made between Sinox Fund Management Limited (the "Investment Manager"), CU Investment Management Limited (the "Research Consultant") and the Company, the Company will pay to the Investment Manager and the Research Consultant an investment management fee for the three years payable monthly in HK Dollars in advance at 2.5% per annum of the net asset value of the Company as at the day immediately preceding the last dealing day of the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the Board for the purpose of calculating the net asset value of the Company, on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The investment management fee is payable on or before the fifth day in each calendar month. The investment management fee shall be shared by the Investment Manager and Research Consultant in equal portion.

12. PLEDGE OF ASSETS

At the balance sheet date, certain securities held by the Group with aggregate net book value of HK\$85,440,543 and HK\$18,051,930 (31 December 2002: HK\$94,801,350 and HK\$28,620,300) were pledged to Chung Nam Securities Limited and Kam Kwong Company Limited respectively for the margin financing facilities granted by them to the Group.

INDEPENDENT REVIEW REPORT

HLM & Co.

恒健會計師行

Room 305,
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Hong Kong

To the Board of Directors of Radford Capital Investment Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 13.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

HLM & Co.
Certified Public Accountants
Hong Kong, 17 September 2003