

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 year ended 31st December 2003 (the "Year").

BUSINESS REVIEW

The Group is principally engaged in investing in listed and unlisted enterprises established and/or conducting business in Hong Kong and/or the People's Republic of China ("PRC"). There was no change in the nature of the Group's principal activities during the Year.

The Group recorded a net loss attributable to shareholders of approximately HK\$1,387,000 for the year ended 31st December 2003 as compared to approximately HK\$39,816,000 in previous year. The loss was narrowed mainly due to the unrealized gain of the underlying securities investments of the Group.

In early 2003, Hong Kong's economy had been suffered severely by the outbreak of SARS and the uncertainty overwhelmed by the war in Iraq. In the second half of 2003, the central government 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 and the value of the Group's investment portfolio benefited as well during the Year.

On the other hand, the Group decreased its operating expenses such as staff cost, secretarial and administrative expenses and investment management fees. With effect from 1st March 2003, the staff cost has been reduced by over 10%. In addition, the Group terminated the secretarial and administrative service agreement effective from July 2003. This led to a saving in administrative cost of approximately HK\$1.1 million per annum. In view of the implementation of the cost saving measures, the operating expenses were HK\$7,476,202, representing a decrease of 20.38% as compared to HK\$9,389,737 in previous year.

INVESTMENT MANAGEMENT

The Company terminated its investment management agreement with its investment manager, Sinox Fund Management Limited and its research consultant, CU Investment Management Limited ("CUIM"), with effect from 3rd November 2003 and at the same time entered into a new investment management agreement with CUIM for a term of three years. By such arrangement, the Company can save investment management fees of 1.5% of the Group's net asset value per annum (which was approximately HK\$2.21 million per annum based on the Group's unaudited net asset value as at 30th September 2003) together with performance management fees. This was another step adopted by the Group to control its operating expenses. CUIM had been the research consultant of the Company since 30th September 2002 and was familiar with the investment objective and policies of the Company. The Board considered that CUIM can cope well with the Company's operation and future development.

INVESTMENT PORTFOLIO

The Group made investments in accordance with its investment objective and policies which were set out in the prospectus of the Company dated 15th February 2002. Most investments made during the Year were listed securities in Hong Kong. During this financial year, the Group maintained a low level of borrowings which were approximately HK\$5,400,000. As at 31st December 2003, the Group's investment portfolio performed significantly better as compared to the first half of this financial year. The Group's investment portfolio was well balanced and comprised of different sectors of businesses including (i) property development and investment in Hong Kong and the PRC; (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; (xii) packaging business; and (xiii) manufacture and sale of liquid crystal display products and electronic consumer products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2003, the cash and bank balance of the Group was approximately HK\$274,000 (2002: HK\$28,000). Most of the investments made during the Year were substantially financed by 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.

PROSPECTS

Last year saw the economy of the PRC grow remarkably. Such strong growth will 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 Group will closely monitor its underlying investment portfolio and make further investments and/or divestments to capture the opportunity arising in Hong Kong and/or the PRC.

In light of the stimuli advocated by the central government to boost domestic economy, the prospect of Hong Kong is brighter. The Company will liaise with its investment manager to identify suitable investment targets and continue to make investments with substantial growth potential in capital value in short to medium term in order to increase its shareholders' value.

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

EMPLOYEES

Currently, the Group has 7 employees, including 4 executive directors, who are remunerated in line with industry practice. For the year ended 31st December 2003, the total staff costs incurred by the Group were approximately HK\$1,811,000 (2002: HK\$1,888,000) and there has been no significant change in the Group's remuneration policy.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued contribution. I would also like to express our gratitude to our shareholders for their support to the Group.

CHUNG Yuk Lun

Chairman

Hong Kong, 17th March 2004