



Interim Report
2004



Radford Capital Investment Limited
萊福資本投資有限公司
(incorporated in the Cayman Islands with limited liability)

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 2004 (the "Period"), which have been reviewed by the Company's audit committee and auditors.

Business Review

The Group is an investment company with principal investment objective of achieving earnings through short to medium term capital appreciation by investing in a diversified portfolio of investments in listed or 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 Period.

The portfolio of the Group principally consists of listed securities of small and medium size market capitalization stocks for which the Board believes that most of them are trading at prices well below their intrinsic value and thus the growth potential are tremendous. As at 30 June 2004, the investment portfolio of the Group in listed securities covers a wide range of industries such as hotel, infrastructure, manufacturing of chemical products, investment holding, financial services etc. Those small market capitalization stocks usually have very low trading volume. The Board was required to take strategic decisions in acquiring and disposing such investments.

Moreover, the Group has entered into agreements to invest in a fund management company that specialized in hedge fund and a PRC joint-venture company which engages in manufacturing of chemical products during the Period. Hedge fund and structured products are well received by the investment public in the past two years. The fund management company in which the Group has agreed to invest is specialized in hedge fund for several years and has consistently receiving management fee and performance fee from its clients. In view of the growth of the PRC economy and the increasing demand of the raw materials and chemical products, the Board is very optimistic about the prospect of the joint-venture company engaging in manufacturing of chemical products.

The Group has recorded an unaudited net loss of approximately HK\$4,700,000 for the Period of which approximately HK\$1,800,000 and HK\$3,300,000 were the realized loss in securities trading and administrative and other operating expenses respectively, after netting off approximately HK\$400,000 unrealized holding gain on the listed securities.

During the Period, the Group had successfully raised approximately HK\$30,000,000 through the subscription of 200,000,000 new shares of the Company by Sojitz (Hong Kong) Limited and the placing of 218,300,000 new shares of the Company at HK\$0.03 to investors. Sojitz (Hong Kong) Limited is the wholly owned subsidiary of Sojitz Corporation, one of the index constituent stocks of Nikkei 225 Index in the Tokyo Stock Exchange. Subsequent to the subscription and the placing, Sojitz (Hong Kong) Limited is the single largest substantial shareholder of the Company and holding approximately 13.25% issued shares of the Company.

Liquidity and Financial Resources

As at 30 June 2004, the cash and bank balance of the Group was approximately HK\$240,000 (2003: HK\$17,000). Most of the investments made during the Period were substantially financed through internal cash resources and margin financing.

Foreign Currency Fluctuation

Most 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 2004, the Group employed 6 employees, including 4 executive directors. Total staff costs for the Period under review amounted to approximately HK\$689,000 (2003: HK\$883,000). 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.

During the Period, the Company had appointed Mr. Nakajima Toshiharu and Mr. Shimazaki Koji as executive director and independent non-executive director respectively.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Period (2003: Nil).

Prospect

Recently, Hong Kong economy saw various signals of recovery. For example, most blue-chip companies recorded an unexpected strong growth in earnings. Besides, unemployment rate continued to drop below 7%. This was largely attributed to the increasing number of tourists from China. People have restored their confidence in Hong Kong's future and are willing to spend more. As a result, deflation has finally come to an end. All these are the reasons why property market has picked up its upward momentum both in terms of number of transactions and the transacted price lately.

However, Hong Kong is also facing several uncertainties which affect the global market, namely upward trend of interest rate, soaring oil price and the tightening economic measures in China. These uncertainties will have serious effect on the global economy and Hong Kong is not an exception. Therefore, the investment market is expected to be much volatile in the second half of this financial year.

Nevertheless, with more favourable policies and measures to be granted by China to support Hong Kong, we are confident that the Hong Kong economy will continue its growth in the foreseeable future.

Purchase, Sale or Redemption of Securities of the Company

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 2004, 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
Sojitz (Hong Kong) Limited (<i>Note a</i>)	200,000,000	13.25%

Note a: The entire issued share capital of Sojitz (Hong Kong) Limited is beneficially owned by Sojitz Corporation, a company listed on Tokyo Stock Exchange.

Save as disclosed above, the Company had not been notified by 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 2004.

Arrangements to Acquire Shares or Debenture

Apart from as disclosed under the heading "share option scheme" below, 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 2004, 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 for Securities Transactions by Directors of Listed Companies.

Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

Audit Committee

The Audit Committee, comprising three 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 Institute of Certified Public Accountants.

Condensed Consolidated Income Statement

For the six months ended 30 June 2004

		(Unaudited) For the six months ended 30 June 2004 HK\$	(Unaudited) For the six months ended 30 June 2003 HK\$
	Notes		
Turnover	(2)	85,454,990	34,772,593
Purchase costs of securities		(87,270,357)	(38,444,429)
Net unrealised holding gain/(loss) on securities		400,124	(24,751,073)
Other revenue		8	172,603
Administrative and other operating expenses		(3,265,431)	(4,397,031)
Loss from operations	(4)	(4,680,666)	(32,647,337)
Finance costs		(48,035)	(63,494)
Loss before taxation		(4,728,701)	(32,710,831)
Taxation	(5)	–	–
Net loss attributable to shareholders		(4,728,701)	(32,710,831)
Dividend	(6)	–	–
		HK cents	HK cents
Basic loss per share	(7)	0.41	3.21

Condensed Consolidated Balance Sheet

At 30 June 2004

	Notes	(Unaudited) At 30 June 2004 HK\$	(Audited) At 31 December 2003 HK\$
Non-current assets			
Property, plant and equipment		493,416	384,126
Investments in debt securities	(8)	–	15,000,000
		<u>493,416</u>	<u>15,384,126</u>
Current assets			
Investments in securities	(8)	138,375,720	130,796,631
Accounts receivable, deposit and prepayment		32,343,038	346,128
Cash and bank balances		241,039	274,390
		<u>170,959,797</u>	<u>131,417,149</u>
Current liabilities			
Other payables and accrued expenses		784,221	661,397
Short term borrowings – secured		77,514	5,368,699
		<u>861,735</u>	<u>6,030,096</u>
Net current assets		<u>170,098,062</u>	<u>125,387,053</u>
Total assets less current liabilities		<u>170,591,478</u>	<u>140,771,179</u>
Capital and reserves			
Share capital	(9)	30,197,200	20,231,200
Reserves		140,394,278	120,539,979
		<u>170,591,478</u>	<u>140,771,179</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2004

	(Unaudited) For the six months ended 30 June 2004 HK\$	(Unaudited) For the six months ended 30 June 2003 HK\$
Net cash used in operating activities	(35,350,270)	(2,506,177)
Net cash received from investing activities	767,919	586,804
Net cash received from financing activities	34,549,000	1,907,457
Net decrease in cash and cash equivalents	(33,351)	(11,916)
Cash and cash equivalents at 1 January	274,390	28,487
Cash and cash equivalents at 30 June	241,039	16,571

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2004

	Share capital HK\$	Share premium HK\$	Capital redemption reserves HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2003	20,400,000	162,931,990	–	(39,815,622)	143,516,368
Loss for the period	–	–	–	(32,710,831)	(32,710,831)
At 30 June 2003	20,400,000	162,931,990	–	(72,526,453)	110,805,537
At 1 January 2004	20,231,200	161,573,413	168,800	(41,202,234)	140,771,179
Issue of Shares by exercising of share options	1,600,000	2,400,000	–	–	4,000,000
Issue of Shares by placing for cash	8,366,000	22,183,000	–	–	30,549,000
Loss for the Period	–	–	–	(4,728,701)	(4,728,701)
At 30 June 2004	30,197,200	186,156,413	168,800	(45,930,935)	170,591,478

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 Institute of Certified Public Accountants (“HKICPA”) 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 audited financial statements for the year ended 31 December 2003.

2. Turnover

	(Unaudited) For the six months ended 30 June 2004 HK\$	(Unaudited) For the six months ended 30 June 2003 HK\$
The analysis of turnover for the Period is as follows:		
Proceeds from sale of investments in securities	84,424,712	34,147,259
Dividend income from investments in securities	1,030,278	625,334
	<u>85,454,990</u>	<u>34,772,593</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 2004 and 2003. Accordingly, no segmental analysis is provided.

4. Loss from Operations

	(Unaudited) For the six months ended 30 June 2004 HK\$	(Unaudited) For the six months ended 30 June 2003 HK\$
Loss from operations is arrived at after charging:		
Operating lease payments in respect of rented premises	135,144	175,980
Depreciation on property, plant and equipment	50,042	49,030

5. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the Period (2003: Nil).

At the balance sheet date, the Group had unused tax losses of HK\$25,850,000 (2003: HK\$19,320,000) and unrealised holding losses on listed securities of HK\$12,527,304 (2003: HK\$8,474,135) 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 Period (2003: Nil).

7. Basic Loss per Share

The calculation of basic loss per share is based on the loss for the Period of HK\$4,728,701 (2003: HK\$32,710,831) and on the weighted average number of 1,156,430,330 (2003: 1,020,000,000) shares in issue.

8. Investments in Debt Securities/Securities

	(Unaudited) At 30 June 2004 HK\$	(Audited) At 31 December 2003 HK\$
Equity securities:		
Listed in Hong Kong	133,975,720	126,778,991
Debt securities		
Unlisted	4,400,000	19,017,640
	<u>138,375,720</u>	<u>145,796,631</u>
Market value of listed securities	<u>133,975,720</u>	<u>126,778,991</u>
Carrying amount analysed for reporting purposes as:		
Current	138,375,720	130,796,631
Non-current	–	15,000,000
	<u>138,375,720</u>	<u>145,796,631</u>

9. Share Capital

	Number of ordinary shares of HK\$0.02 each	Amount HK\$
Authorised:		
At 30 June 2004 and 31 December 2003	<u>5,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
	Number of ordinary shares of HK\$0.02 each	Amount HK\$
At 31 December 2003	1,011,560,000	20,231,200
Issue of Shares by exercising of share options	80,000,000	1,600,000
Issue of Shares by placing for cash	418,300,000	8,366,000
At 30 June 2004	<u>1,509,860,000</u>	<u>30,197,200</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) For the six months ended 30 June 2004 HK\$	(Unaudited) For the six months ended 30 June 2003 HK\$
Chung Nam Securities Limited (Note a)	Interest expenses	45,300	57,478
Radland International Limited (Note a)	Brokerage fee	374,290	167,712
CU Corporate Finance Limited (Note a)	Investment advisory fee	2,735	756
CU Investment Management Limited (Note b)	Investment management fee	30,000	–
		<u>922,938</u>	<u>–</u>

Note:

- (a) These companies are fellow subsidiaries of CU Investment Management Limited.
- (b) On 3 November 2003, the Company and CU Investment Management Limited (the "Management Company") entered into an investment management agreement for appointing the Management Company as investment manager of the Group for a term of three years commencing on 3 November 2003.

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 2004 and 31 December 2003, were as follows:

Name of related party	(Unaudited) At 30 June 2004 HK\$	(Audited) At 31 December 2003 HK\$
Chung Nam Securities Limited	–	5,283,562
Radland International Limited	<u>77,514</u>	<u>85,137</u>

11. Commitments

- (i) At 30 June 2004, 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 2004 HK\$	(Audited) At 31 December 2003 HK\$
Within one year	270,288	270,288
In the second to fifth years inclusive	360,384	495,528
	<u>630,672</u>	<u>765,816</u>

- (ii) Pursuant to the investment management agreement dated 3 November 2003 made between the Management Company and the Company, the Company will pay to the Management Company an investment management fee for the three years payable monthly in HK Dollars in advance at 1% 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.

12. Pledge of Assets

At the balance sheet date, certain securities held by the Group with aggregate net book value of HK\$125,997,220 and HK\$1,736,000 (31 December 2003: HK\$109,047,101 and HK\$12,461,530) were pledged to Chung Nam Securities Limited and Radland International Limited respectively for the margin financing facilities granted by them to the Group.

Independent Review Report

恒健會計師行
HLM & Co.
Certified Public Accountants

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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 6 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 Institute of Certified Public 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 Institute of Certified Public 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 2004.

HLM & Co.
Certified Public Accountants
Hong Kong, 15 September 2004