



Radford Capital Investment Limited

萊福資本投資有限公司

(Incorporated in the Cayman Islands with limited liability)



Interim Report 2005

The board of Directors (the "Board") of Radford Capital Investment Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 (the "Period"), which have been reviewed by the Company's audit committee and the auditors, are as follows:

Business Review

During the Period, the Company continues its principal activities of investing in both listed and unlisted companies. There was no change in the nature of the Group's principal activities during the Period. The Directors remain focused on the small to medium sized companies with good asset backing or growth potential. Usually, this class of companies requires relatively longer time horizon for investors to become aware of their intrinsic value. As a result, composition of its stock portfolio remains similar while equities of several other listed companies are added. In the Directors' opinion, the stock portfolio was diversified with exposure to, among others, financial services, infrastructure, property investment, hotel, investment holding and manufacturing, etc.

Meanwhile, the Company retains its policy of having exposure to unlisted companies. As at 30 June 2005, value of the Company's interests in unlisted companies represents approximately 12% of the aggregate investment portfolio.

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 2005, the Group employed 5 employees, including 4 executive directors. Total staff costs for the Period under review amounted to approximately HK\$724,000 (2004: HK\$689,000). 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.

Financial and Trading Prospects

Through the subscription of shares and the placing of shares, the Company raised approximately HK\$25.95 million during the Period. Virtually, the Company does not have any outstanding debts as at 30 June, 2005. On 4 March 2005, the Directors proposed the rights issue to raise a net proceed of approximately HK\$29 million, which will be used for future investment purpose. Meanwhile, the Directors had also proposed to reorganize the Company's capital structure by consolidating every 10 unissued and issued shares into 1 consolidated share of HK\$0.20, and then reducing the nominal value of each consolidated share from HK\$0.20 to HK\$0.02. The capital reorganization is expected to set off its accumulated losses, putting the Group in a better position in terms of financial flexibility. Both proposals were approved by shareholders in the EGM held on 18 May 2005. The Company will continue to adopt prudent financial management and the Directors do not expect the investment profile of the Company to have significant changes in the near future.

The Company will continue its strategies of focusing on investment opportunities, which are expected to reward medium and long terms growth prospects. Listed securities will continue to represent majority of the Company's investment portfolio. Market sentiment, however, in the short- to medium- term may be negatively affected by the high oil prices and rising interest rates although the Directors remain positive towards the long-term prospects of the domestic and international investment markets. Save the concern over the general market addressed above, the Directors do not anticipate any significant factors affecting the risk and return of the Company's investment portfolio.

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 2005, 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
Success Future Limited (<i>Note</i>)	500,000,000	14.52%
Tsoi Man Chi	253,600,000	7.36%

Note: The entire issued share capital of Success Future Limited is beneficially owned by Au Yeung Kai Chor.

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 2005.

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.

Share Option Scheme

Pursuant to a resolution passed by shareholders of the Company on 7 February 2005, the Company adopted a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the circular dated 12 January 2005.

Details of options granted under the Company's Share Option Scheme are summarized as follows:

Date of grant	Eligible person	Outstanding at 01.01.2005	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding at 30.06.2005	Exercise period	Exercise price per share
Category I: Directors of the Company									
21.02.2005	Chung Yuk Lun	-	22,000,000	22,000,000	-	-	-	7.02.2005 - 6.02.2015	HK\$0.0224
21.02.2005	Nakajima Toshiharu	-	22,000,000	22,000,000	-	-	-	7.02.2005 - 6.02.2015	HK\$0.0224
21.02.2005	Szeto Siu Kit	-	22,000,000	22,000,000	-	-	-	7.02.2005 - 6.02.2015	HK\$0.0224
Category II: Others									
21.02.2005	Continuous contract employee	-	22,000,000	22,000,000	-	-	-	7.02.2005 - 6.02.2015	HK\$0.0224
	Employees of Investee Companies	-	138,479,000	138,479,000	-	-	-	7.02.2005 - 6.02.2015	HK\$0.0224
			<u>-</u>	<u>226,479,000</u>	<u>-</u>	<u>-</u>	<u>-</u>		

The closing price of shares of the Company immediately before the date on which the options were granted was HK\$0.021.

Save as disclosed above, no option was granted, exercised or cancelled during the Period. The share options are not recognized in the financial statements until they are exercised.

The Directors consider that it is not appropriate to state the value of the share options granted during the Period on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

Directors' and Chief Executive's Interests and Short Positions

As at 30 June 2005, 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.

Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Period, with deviations from code provisions A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Under the code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, one-third of the Directors of the Company (both executive and non-executive) are subject to the retirement by rotation at each annual general meeting under the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

Under the Articles of Association of the Company, the Chairman of the Board and/or the Managing Director and/or the Deputy Managing Director of the Company are not subject to retirement by rotation or be taken into account on determining the number of Directors to retire in each year. This constitutes a deviation from the code provision A.4.2 of the Code. To comply with the code provision, relevant amendment to the Articles of Association of the Company shall be proposed and approved by the shareholders at a general meeting of Company whereby the Chairman of the Board and/or the Managing Director and/or the Deputy Managing Director of the Company shall be subject to retirement by rotation. Currently, the Articles of Association of the Company are being reviewed by the lawyers for this purpose.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

Audit Committee

The Audit Committee, comprising four 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 2005

		(Unaudited) For the six months ended 30 June	
	Notes	2005 HK\$	2004 HK\$
Turnover	(2)	150,499,924	85,454,990
Purchase costs of securities		(132,290,619)	(87,270,357)
Net unrealised holding (loss)/gain on securities		(27,795,217)	400,124
Other revenue		24,557	8
Administrative and other operating expenses		(4,376,106)	(3,265,431)
Loss from operations	(4)	(13,937,461)	(4,680,666)
Finance costs		(359,967)	(48,035)
Loss before taxation		(14,297,428)	(4,728,701)
Taxation	(5)	–	–
Net loss attributable to shareholders		(14,297,428)	(4,728,701)
Dividend	(6)	–	–
		HK cents	HK cents
Basic loss per share	(7)	0.46	0.41

Condensed Consolidated Balance Sheet

At 30 June 2005

		(Unaudited) At 30 June 2005 HK\$	(Audited) At 31 December 2004 HK\$
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		542,122	435,480
Current assets			
Investments in securities	(8)	–	161,760,248
Financial assets at fair value through profit or loss	(9)	175,958,563	–
Accounts receivable, deposit and prepayment		1,307,192	14,228
Cash and bank balances		1,413,017	512,468
		178,678,772	162,286,944
Current liabilities			
Creditors and accrued expenses		97,012	739,320
Net current assets		178,581,760	161,547,624
Net assets		179,123,882	161,983,104
Capital and reserves			
Share capital	(10)	68,884,540	45,295,800
Reserves		110,239,342	116,687,304
Shareholders' fund		179,123,882	161,983,104

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	(Unaudited)	
	For the six months ended	
	30 June 2005	30 June 2004
	<i>HK\$</i>	<i>HK\$</i>
Net cash used in operating activities	(30,757,488)	(35,350,270)
Net cash received from investing activities	219,831	767,919
Net cash received from financing activities	31,438,206	34,549,000
Net increase/(decrease) in cash and cash equivalents	900,549	(33,351)
Cash and cash equivalents at 1 January	512,468	274,390
Cash and cash equivalents at 30 June	1,413,017	241,039

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Share capital HK\$	Share premium HK\$	Capital redemption reserves HK\$	Accumulated losses HK\$	Total HK\$
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
At 1 January 2005	45,295,800	186,156,413	168,800	(69,637,909)	161,983,104
Issue of Shares by exercising of share options	4,529,580	543,550	-	-	5,073,130
Issue of Shares by placing for cash	19,059,160	7,305,916	-	-	26,365,076
Loss for the period	-	-	-	(14,297,428)	(14,297,428)
At 30 June 2005	68,884,540	194,005,879	168,800	(83,935,337)	179,123,882

1. Basis of Preparation

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has converged all Hong Kong Financial Reporting Standards (“HKFRSs”) with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board at 1 January 2005. As a result, the HKICPA has aligned HKFRSs with the requirements of IFRSs in all material respects. The unaudited condensed consolidated interim financial statements have been prepared in accordance with the HKAS 34 “Interim Financial Reporting” issued by the HKICPA and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

In 2005, the Group has adopted all HKFRSs pertinent to its operations. The applicable HKFRSs are set out below and the 2004 accounts have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments

1. **Basis of Preparation** (continued)

The accounting policies which have material impacts on the Group are set out below:

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, investments of the Group were classified into non-trading securities and trading securities, and were stated in the balance sheet at fair value. In accordance with the provision of HKAS 39, the investments have been classified into available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables (which include bank deposits and cash and cash equivalents). The classification depends on the purpose for which the investments were held. Debt securities are designated as financial assets at fair value through profit or loss with changes in fair value recognized in the income statement. Interest income for financial assets at fair value through profit or loss is included as net realized gains/(losses) and interest income of financial assets at fair value through profit or loss.

All relevant changes in the accounting policies have been made in accordance with the provisions of the respective standards, which require retrospective application to prior year comparatives other than:

HKAS 39:

Redesignate all investments into available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables (which include bank deposits and cash and cash equivalents) on 1 January 2005; and

Remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost and adjust the balance to retained earnings at 1 January 2005; and

Prospective application for the derecognition of financial assets.

1. Basis of Preparation (continued)

Effect of changes in the accounting policies on consolidated balance sheet

	30 June 2005 HKAS 32 & 39 HK\$	31 December 2004 HKAS 32 & 39 HK\$
Increase/(decrease) in assets		
Financial assets at fair value through profit or loss	175,958,563	–
Other investments	<u>(175,958,563)</u>	<u>–</u>

2. Turnover

	(Unaudited) For the six months ended 30 June	
	2005 HK\$	2004 HK\$
The analysis of turnover for the Period is as follows:		
Proceeds from sale of investments in securities	150,019,828	84,424,712
Dividend income from investments in securities	480,096	1,030,278
	<u>150,499,924</u>	<u>85,454,990</u>

3. Segment Information

During the periods ended 30 June 2004 and 2005 respectively, more than 90% of the Group's turnover was derived from investment holding and securities trading in Hong Kong, no business and geographical segmental information on turnover are presented. The Group's segment assets and liabilities for the Period, analysed by geographical market, are as follows:

	Other parts of the PRC		Hong Kong		Total	
	30 June 2005 HK\$	31 December 2004 HK\$	30 June 2005 HK\$	31 December 2004 HK\$	30 June 2005 HK\$	31 December 2004 HK\$
Segment assets	27,131,181	–	152,089,713	162,722,424	179,220,894	162,722,424
Segment liabilities	–	–	97,012	739,320	97,012	739,320

4. Loss from Operations

	(Unaudited) For the six months ended 30 June	
	2005 HK\$	2004 HK\$
Loss from operations has been arrived at after charging:		
Operating lease payments in respect of rented premises	217,791	135,144
Depreciation on property, plant and equipment	78,374	50,042
	<u> </u>	<u> </u>

5. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the Period (2004: Nil).

At the balance sheet date, the Group had unused tax losses of HK\$20,200,000 (2004: HK\$25,850,000) and unrealised holding losses on investments in securities of HK\$66,271,300 (2004: HK\$12,527,304) 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 (2004: Nil).

7. Basic Loss per Share

The calculation of basic loss per share is based on the loss for the Period of HK\$14,297,428 (2004: HK\$4,728,701) and on the weighted average number of 3,083,505,643 (2004: 1,156,430,330) shares in issue.

8. Investments in Securities

	(Unaudited) At 30 June 2005 HK\$	(Audited) At 31 December 2004 HK\$
Equity securities:		
Listed	–	157,056,248
Unlisted	–	4,704,000
	<u> </u>	<u> </u>
	–	161,760,248
Market value of listed securities	<u> </u>	<u> </u>
	–	157,056,248

In accordance with HKAS39, all trading securities were redesignated as financial assets at fair value through profit or loss on 1 January 2005.

9. Financial Assets at Fair Value through Profit or Loss

	(Unaudited) At 30 June 2005 <i>HK\$</i>	(Audited) At 31 December 2004 <i>HK\$</i>
Analysis of financial assets at fair value through profit or loss held for trading		
Listed	130,827,382	–
Unlisted	45,131,181	–
	175,958,563	–
Market value of listed financial assets	130,827,382	–

Following the adoption of HKAS 39 in 2005, certain financial assets were redesignated as financial assets through profit or loss on 1 January 2005. There was no such redesignation in 2004 as retrospective application of HKAS 39 is not permitted.

10. Share Capital

	Number of ordinary shares of HK\$0.02 each	Amount <i>HK\$</i>
Authorised:		
At 31 December 2004	5,000,000,000	100,000,000
Increase by creation of additional 5,000,000,000 shares of HK\$0.02 each	5,000,000,000	100,000,000
At 30 June 2005	10,000,000,000	200,000,000

10. Share Capital (continued)

Issued and fully paid:

	Number of ordinary shares of HK\$0.02 each	Amount HK\$
At 31 December 2004	2,264,790,000	45,295,800
Issue of Shares by exercising of share options	226,479,000	4,529,580
Issue of Shares by placing for cash	952,958,000	19,059,160
At 30 June 2005	<u>3,444,227,000</u>	<u>68,884,540</u>

11. Related Party Transactions

The Group had the following related party transaction during the Period which was 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	
		2005 HK\$	2004 HK\$
CU Investment Management Limited (Note)	Investment management fee	<u>1,059,183</u>	<u>922,938</u>

Note: 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 that date.

12. Commitments

- (i) At 30 June 2005, 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 2005 HK\$	(Audited) At 31 December 2004 HK\$
Within one year	439,296	270,288
In the second to fifth years inclusive	677,838	225,240
	1,117,134	295,528

- (ii) Pursuant to the investment management agreement mentioned in note 11 hereof, 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.

13. Pledge of Assets

At the balance sheet date, certain securities held by the Group with aggregate net book value of HK\$130,827,382 (31 December 2004: HK\$144,543,248) were pledged to two broker firms to secure margin financing facilities granted to the Group.

Independent Review Report

恒健會計師行

HLM & Co.

Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.biz.com.hk

To the Board of Directors of Radford Capital Investment Limited 萊福資本投資有限公司

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 7 to 17.

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 Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by HKICPA. 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 2005.

HLM & Co.

Certified Public Accountants
Hong Kong, 24 August 2005