



Radford Capital Investment Limited

萊福資本投資有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 901)

Interim Report
2007

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 2007 (the "Period"), which have been reviewed by the Company's audit committee and the auditors, are set out on pages 7 to 15.

Business Review

The unaudited turnover of the Group for the Period was approximately HK\$579 million, representing an increase of 7.3 times as compared to approximately HK\$79 million in the corresponding period of last year. The unaudited consolidated net profit attributable to shareholders of the Group for the Period was approximately HK\$135 million as compared to the unaudited consolidated net loss of approximately HK\$6 million in the corresponding period of last year. The basic earning per share of the Company was approximately HK3.6 cents (2006: loss per share HK0.51 cent).

The profit made by the Group in the financial year under review was primarily due to the appreciation in the price of the Group's investment in securities as evidenced by the good performance of Hang Seng index in the Period.

As at 30 June 2007, the total assets of the Group were approximately HK\$412 million of which the non-current portion and the current portion were approximately HK\$0.3 million and approximately HK\$412 million respectively, the current liabilities were approximately HK\$11 million; the net assets of the Group amounted to approximately HK\$401 million (31 December 2006: HK\$160 million) and the assets/liabilities ratio was approximately 36.79 (2006: 28.6) and the current ratio was approximately 36.76 (2006: 28.5), both have been improved when compare to those at the end of last year.

The Group had no material contingent liabilities as of 30 June 2007 (2006: Nil).

The source of funding of the Group is mainly from its internal financial resources and shareholders' fund. The Company had conducted several equity fund raising transactions during the Period as follows:-

Date of Announcements	Capital Raising Activity	Net Proceeds Raised (HK\$)	Actual Use of Proceeds
1 December 2006	Rights Issue	14.95 million	The entire proceeds has been used for investment in unlisted convertible notes issued by a listed company
14 February 2007	Placing of 157,000,000 shares to an independent third party	10.99 million	The entire HK\$10.99 million has been used for investment in listed shares
28 March 2007	Placing of convertible notes of principal amount of HK\$40.8 million	39.80 million	The entire HK\$39.80 million has been used for investment in listed shares
30 May 2007	Subscription of 284,078,810 shares by Pearl Decade Limited	33.90 million	The entire HK\$33.90 million has been used for investment in listed shares

The Group's cash on hand as at 30 June 2007 was about HK\$18 million and most of which was in HK dollar.

The Company had completed a capital reorganisation involving the consolidation of its shares on the basis of every 5 shares in the issued and unissued shares of the Company of HK\$0.04 each into one consolidated share of HK\$0.2 each and then the nominal value of every issued consolidated share was reduced from HK\$0.2 to HK\$0.02 and became a new share. Further details of the capital reorganisation are set out in the announcement of the Company dated 1 December 2006.

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 2007, the Group had employed 5 employees, including three executive directors and had no major changes in the information related to human resources as stated in its 2006 Annual Report.

Outlook

In pursuit of its investment objective, the Group continued to invest in listed and unlisted shares primarily in Hong Kong and PRC. Approximately HK\$376 million was invested in listed shares in Hong Kong, representing approximately 91% of the total assets of the Group as at 30 June, 2007. Hang Seng index had reached a record high of about 23,500 points in July, 2007 before its correction in August, 2007 caused by sub-prime mortgage loans problem in U.S. As a matter of course, the net profit of the Group for the six months ended 30 June, 2007 also reached a record high of approximately HK\$135 million.

We mentioned two events which should be closely monitored in last year's annual report, namely whether the drop in the property price and the deterioration in sub-prime mortgage loans in U.S. would affect the banking sector and tighten the availability of credit. Secondly, we remained cautious on the overheated economy in PRC which might trigger tighter austerity measures. The developments of these two events are getting worse. Nearly every stock market, commodity market and finance market experienced the financial turmoil and credit squeeze caused by sub-prime mortgage loans problem in August, 2007. The Board is of the view that credit will be further tightened and this will definitely affect the other sectors such as consumer credit in U.S. As consumption accounts for approximately one-third of the GNP of U.S., unemployment rate will increase which in turn will trim down the growth rate of U.S. economy.

Back to PRC, the abundance of surplus money has caused intolerable inflationary pressure to PRC economy. PRC government has by all means try to cure the inflation by tightening the money supply, for example, by increasing the interest rate, increasing the deposit reserve rate and issue of government bonds to commercial banks. The Board believes that PRC government is very determined to control the inflation before it is out of control. Therefore, we will see further hikes in interest rate in the near future. Last but not the least, PRC government may use administrative measures to cool down the overheated economy. In such case, we may see a remarkable adjustment in the economic growth of PRC.

Recently, Hong Kong stock market is performing very well with the support of QDII, PRC's greenlight to allow individual citizens to invest in Hong Kong listed shares and the 0.5% cut in interest rate by the Fed recently. However, in view of the possible consolidation in the economic growth of both U.S. and PRC, the Board is of the view that the global market will be adversely affected. Hong Kong will not be an exception. To prepare for the coming rainy days, the Board will continue to diversify its investment portfolio in different sectors and continue to maintain its prudent gearing level.

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 2007, 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 shareholders	Number of ordinary shares	Percentage
Pearl Decade Limited (<i>Note a</i>)	344,078,810	14.93%
Tung Fung Yuen, Victor (<i>Note b</i>)	157,000,000	6.81%

Notes:

- (a) Pearl Decade Limited is a wholly-owned subsidiary of Willie International Holdings Limited, a company listed on the Stock Exchange.
- (b) An independent third party.

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 2007.

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 2007, none of the directors, the chief executive of the Company or their associates had the interests and short positions in shares, underlying shares and debentures of the Company or 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').

Corporate Governance Report

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 deviation from code provision A.4.1 of the Code in respect of the service term and rotation of directors (as disclosed below).

As of 30 June 2007, the Board of Directors of the Company comprises Mr. Chung Yuk Lun (Chairman), Mr. Nakajima Toshiharu (Chief Executive Officer), Mr. Shimazaki Koji, the Executive Directors, and Mr. Chan Sze Hung, Mr. Wong Kai Cheong, Mr. Kan Kwok Shu, Albert and Mr. Wong Wai Man, Raymond, the Independent Non-executive Directors.

Under the code provision A.4.1 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, which constitutes a deviation from the 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 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 in line to those of the Code.

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. 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.

During the Period, the Audit Committee of the Company comprises Mr. Chan Sze Hung, Mr. Wong Kai Cheong, Mr. Kan Kwok Shu, Albert and Mr. Wong Wai Man, Raymond, the Independent Non-executive Directors. The Audit Committee had reviewed, discussed and approved the financial statements for the Period, which had been reviewed by the Company's auditors, H L M & Co. Certified Public Accountants.

Save from disclosed above, the Group did not have any material changes in relation to its corporate governance practices as stated in its 2006 Annual Report.

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 as the required standard for the Directors of the Company to trade the securities of the Company. 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., Certified Public Accountants have carried out a review of the unaudited interim financial statements in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

		(Unaudited)	
		For the six months ended 30 June	
		2007	2006
Notes		HK\$	HK\$
	Turnover	578,780,350	79,170,643
	Purchase costs of financial assets at fair value through profit or loss	(461,636,122)	(90,058,682)
	Net unrealised holding gain on financial assets at fair value through profit or loss	31,829,857	9,514,742
	Realised loss arising from financial instruments designated at derivatives	–	(1,631,205)
	Net unrealised holding gain from financial instruments designated at derivatives	–	1,239,455
	Other revenue	522,242	68,000
	Administrative and other operating expenses	(3,379,307)	(3,779,235)
	Profit/(loss) from operations	146,117,020	(5,476,282)
	Finance costs	(498,561)	(472,679)
	Profit/(loss) before taxation	145,618,459	(5,948,961)
	Taxation	(10,699,089)	–
	Net profit/(loss) attributable to shareholders	134,919,370	(5,948,961)
	Dividend	–	–
		HK cents	(restated) HK cent
	Basic earning/(loss) per share	3.6	(0.51)

Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	(Unaudited) At 30 June 2007 HK\$	(Audited) At 31 December 2006 HK\$
Non-current assets			
Property, plant and equipment		336,726	489,112
Current assets			
Financial assets at fair value through profit or loss	(8)	392,560,775	162,402,815
Accounts receivable, deposit and prepayment		886,472	751,000
Cash and bank balances		18,370,476	2,614,871
		411,817,723	165,768,686
Current liabilities			
Creditors and accrued expenses		503,535	5,812,525
Tax liabilities		10,699,089	–
		11,202,624	5,812,525
Net current assets		400,615,099	159,956,161
Net assets		400,951,825	160,445,273
Capital and reserves			
Share capital	(9)	92,178,915	31,584,908
Reserves		308,772,910	128,860,365
		400,951,825	160,445,273

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	(Unaudited)	
	For the six months ended	
	30 June 2007	30 June 2006
	<i>HK\$</i>	<i>HK\$</i>
Net cash used in operating activities	(90,322,707)	(31,196,475)
Net cash generated from investing activities	491,130	399,653
Net cash generated from financing activities	105,587,182	26,980,000
Net increase/(decrease) in cash and cash equivalents	15,755,605	(3,816,822)
Cash and cash equivalents at 1 January	2,614,871	5,013,776
Cash and cash equivalents at 30 June	18,370,476	1,196,954

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Share capital HK\$	Share premium HK\$	Capital redemption reserves HK\$	(Accumulated losses)/ retained profits HK\$	Total HK\$
At 1 January 2006	15,840,908	225,049,662	168,800	(99,915,265)	141,144,105
Issue of shares by placing for cash	9,160,000	22,820,000	–	–	31,980,000
Loss for the period	–	–	–	(5,948,961)	(5,948,961)
At 30 June 2006	25,000,908	247,869,662	168,800	(105,864,226)	167,175,144
At 1 January 2007	31,584,908	257,147,862	168,800	(128,456,297)	160,445,273
Issue of shares by placing for cash	17,643,153	27,907,305	–	–	45,550,458
Issue of shares upon exercise of share option	3,158,400	1,026,480	–	–	4,184,880
Rights issue	15,792,454	–	–	–	15,792,454
Issue of shares upon conversion of convertible notes	24,000,000	16,800,000	–	–	40,800,000
Share issue expenses	–	(740,610)	–	–	(740,610)
Profit for the period	–	–	–	134,919,370	134,919,370
At 30 June 2007	92,178,915	302,141,037	168,800	6,463,073	400,951,825

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 2006.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

2. TURNOVER

(Unaudited)
For the six months
ended 30 June

	2007	2006
	HK\$	HK\$
The analysis of turnover for the Period is as follows:		
Proceeds from sale of investments in financial assets at fair value through profit or loss	578,289,220	78,531,861
Dividend income from investments in financial assets at fair value through profit or loss	491,130	638,782
	<u>578,780,350</u>	<u>79,170,643</u>

3. Segment Information

During the period ended 30 June 2007 and the year ended 31 December 2006, no business and geographical segmental information on turnover are presented as more than 90% of the Group's turnover was derived from investment holding and securities trading in Hong Kong. The Group's segment assets and liabilities for the Period, analysed by geographical market, are as follows:

	PRC (except Hong Kong)		Hong Kong		Consolidated total	
	30 June 2007 HK\$	31 December 2006 HK\$	30 June 2007 HK\$	31 December 2006 HK\$	30 June 2007 HK\$	31 December 2006 HK\$
Segment assets	-	1,161,796	412,154,449	165,096,002	412,154,449	166,257,798
Segment liabilities	-	-	11,202,624	5,812,525	11,202,624	5,812,525

4. Profit/(loss) from operations

	(Unaudited) For the six months ended 30 June	
	2007 HK\$	2006 HK\$
Profit/(loss) from operations has been arrived at after charging:		
Operating lease payments in respect of rented premises	130,000	180,182
Depreciation on property, plant and equipment	68,197	68,237

5. TAXATION

	(Unaudited) For the six months ended 30 June	
	2007 HK\$	2006 HK\$
Charge of current period	10,699,089	-

Hong Kong Profits Tax is provided at 17.5% of the estimated assessable profit for the Period (2006:17.5%).

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (2006: Nil).

7. BASIC EARNING/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the profit for the Period of HK\$134,919,370 (2006: loss of HK\$5,948,961) and on the weighted average number of 3,747,814,308 shares (2006 (restated): 1,176,727,218 shares) in issue.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) At 30 June 2007 HK\$	(Audited) At 31 December 2006 HK\$
Analysis of financial assets at fair value through profit or loss held for trading:		
Listed	375,694,177	136,267,542
Listed overseas	16,866,598	14,848,477
Unlisted	–	11,286,796
	392,560,775	162,402,815
Market value of listed financial assets	392,560,775	151,116,019

9. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.04 each	<i>HK\$</i>
Authorised:			
At 31 December 2006 and 30 June 2007		<u>5,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:			
At 31 December 2006		789,622,700	31,584,908
Issues of shares by rights issue	<i>a</i>	394,811,350	15,792,454
Issue of shares by exercising the share options	<i>b</i>	78,960,000	3,158,400
Issue of shares by placing	<i>c</i>	441,078,810	17,643,153
Issue of shares by converting the convertible notes	<i>d</i>	<u>600,000,000</u>	<u>24,000,000</u>
At 30 June 2007		<u>2,304,472,860</u>	<u>92,178,915</u>

During the Period, the movements in the Company's share capital are as follows:

- a. On 31 January 2007, 394,811,350 shares were issued at HK\$0.04 each on the basis of one rights share for every two existing shares.
- b. On 9 February 2007 and 28 February 2007 the Company issued and allotted 56,360,000 shares and 22,600,000 shares respectively at HK\$ 0.053 each to option holders who exercised the share options granted to them on 8 February 2007.
- c. On 2 March 2007 and 15 June 2007 the Company issued and allotted 157,000,000 shares and 284,078,810 shares at HK\$ 0.073 and HK\$ 0.12 each respectively by placing.
- d. On 23 May 2007, 600,000,000 shares were issued to 10 individuals at conversion price HK\$0.068 each.

10. Related party transactions

The Group had the following 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	
		2007 HK\$	2006 HK\$
CU Investment Management Limited (<i>Note</i>)	Investment management fee	408,000	480,000

Note: On 3 November 2003, the Company and CU Investment Management Limited ("CUIM") entered into an investment management agreement for appointing CUIM as investment manager of the Group for a term of three years commencing on 3 November 2003. On 16 November 2005, the Company and CUIM entered into a supplemental investment management agreement for agreeing to reduce the investment management fee to HK\$80,000 per month with effect from 1 January 2006. Commencing from 1 January 2007, the investment management fee was revised to HK\$68,000 per month.

11. COMMITMENTS

At 30 June 2007, 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 2007 HK\$	(Audited) At 31 December 2006 HK\$
Within one year	240,000	240,000
In the second to fifth years inclusive	70,000	190,000
	310,000	430,000

12. PLEDGE OF ASSETS

At the balance sheet date, certain securities held by the Group with aggregate net book value of HK\$375,976,133 (31 December 2006: HK\$151,753,841) were pledged to brokers to secure margin financing provided 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 萊福資本投資有限公司
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 7 to 15 which comprises the condensed consolidated balance sheet of Radford Capital Investment Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

HLM & Co.

Certified Public Accountants

Hong Kong, 24 September 2007