

BEAUFORTE INVESTORS CORPORATION LIMITED

寶福集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock code: 21)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The Board of Directors (the "Board") of Beauforte Investors Corporation Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK\$' million	2005 HK\$' million
Turnover	2	126.1	41.2
Cost of sales		(126.5)	(36.1)
Gross (loss) profit		(0.4)	5.1
Other operating income		-	0.5
Administrative expenses		(9.1)	(6.0)
Loss on written off of investment properties		(237.0)	-
Impairment loss on deposits in an assets management company		(32.6)	-
Impairment loss on deposit refundable		(13.8)	-
Impairment losses recognised in respect of available-for-sale investments		(13.0)	(31.7)
Decrease in fair value on investment properties		-	(13.0)
Provision for loss in value of investment properties		(12.1)	-
Provision for loss on a guarantee agreement		-	(22.9)
Impairment losses recognised in respect of goodwill arising from acquisition of a subsidiary		-	(7.9)
Loss on derivative financial instrument		-	(0.1)
Allowance for bad and doubtful debts		(8.7)	(2.5)
Finance cost		(0.1)	-
Loss before taxation	4	(326.8)	(78.5)
Taxation	5	-	(0.2)
Loss for the year		(326.8)	(78.7)
Dividend	6	-	-
Loss per share			
Basic	7	(93.0) cents	(24.3) cents
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	2006 HK\$' million	2005 HK\$' million
Non-current assets		
Plant and equipment	0.1	0.9
Investment properties	-	272.0
Available-for-sale investments	-	12.0
Interests in associates	-	-
	0.1	284.9
Current assets		
Held for trading investment	-	12.2
Other receivables	0.3	10.4
Deposit refundable	-	13.8
Deposits in an assets management company	-	32.6
Cash and cash equivalents	0.2	6.0
	0.5	75.0
Current liabilities		
Other payables and accrued charges	2.6	2.0
Derivative financial instrument	-	0.1
Provision for loss on a guarantee agreement	-	22.9
Cash and cash equivalents	-	10.1
	2.6	35.1
Net current (liabilities) assets	(2.1)	39.9
	(2.0)	324.8
Capital and reserves		
Share capital	140.5	140.5
Reserves	(142.5)	184.3
	(2.0)	324.8

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. BASIS OF PREPARATION

(a) Adoption of going concern assumption

As at 31 December 2006, the Group had net current liabilities of approximately HK\$2.1 million and capital deficiency of approximately HK\$2.0 million. The Group had no operating activities as at 31 December 2006 and up to the approval date of these financial statements. Nevertheless, these financial statements have been prepared on a going concern basis because the director, Mr Cheung Chung Leung, Richard, who is also a shareholder of a major shareholder of the Company, Smartmax Holdings Limited, has agreed to provide adequate funds to enable the Company to meet all its financial obligations when they fall due in the foreseeable future.

These financial statements do not include any adjustments that would result in the failure of the Group to obtain future funding. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the financial statements.

(b) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective as at 31 December 2006. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) – Interpretation ("Int") 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) – Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – Int 9	Reassessment of embedded derivatives ⁵
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁷
HK(IFRIC) – Int 12	Service Concession Arrangements ⁸

- Effective for annual periods beginning on or after 1 January 2007.
- Effective for annual periods beginning on or after 1 January 2009.
- Effective for annual periods beginning on or after 1 March 2006.
- Effective for annual periods beginning on or after 1 May 2006.
- Effective for annual periods beginning on or after 1 June 2006.
- Effective for annual periods beginning on or after 1 November 2006.
- Effective for annual periods beginning on or after 1 March 2007.
- Effective for annual periods beginning on or after 1 January 2008.

2. TURNOVER

Turnover represents the net amounts received and receivables from trading of securities for the year.

An analysis of the Group's turnover for the year is as follows:

	2006 HK\$' million	2005 HK\$' million
Interest income from deposits	-	3.5
Rental income	-	2.7
Proceeds from trading of securities	126.1	35.0
	126.1	41.2

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – treasury and investment, property and securities trading. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Treasury and investment:

The placing of deposits and investment in securities to generate income from interest, dividends and capital appreciation.

Funds are also advanced as loans to other parties on a secured or unsecured basis where suitable opportunities are identified to earn enhanced returns.

Property:

Investment in property to generate rental income.

Securities trading:

Investment in listed securities to generate profit from short-term fluctuation in price.

(a) Business segments

For the year ended 31 December 2006

	Treasury and investment 2006 HK\$' million	Property 2006 HK\$' million	Securities trading 2006 HK\$' million	Total 2006 HK\$' million
TURNOVER				
Interest income from deposits	-	-	-	-
Rental income	-	-	-	-
Proceeds from trading of securities	-	-	126.1	126.1
Total turnover	-	-	126.1	126.1
RESULTS				
Segment results	(0.1)	-	(0.4)	(0.5)
Loss on written off of investment properties	-	(237.0)	-	(237.0)
Provision for loss in value of investment properties	-	(12.1)	-	(12.1)
Allowance for bad and doubtful debts	(8.7)	-	-	(8.7)
Impairment loss recognised in respect of available-for-sale investments	(13.0)	-	-	(13.0)
Impairment loss on deposits in an assets management company	(32.6)	-	-	(32.6)
Impairment loss on deposit refundable	(13.8)	-	-	(13.8)
Unallocated expenses	-	-	-	(9.1)
Loss for the year				(326.8)

For the year ended 31 December 2005

	Treasury and investment 2005 HK\$' million	Property 2005 HK\$' million	Securities trading 2005 HK\$' million	Total 2005 HK\$' million
TURNOVER				
Interest income from deposits	3.5	–	–	3.5
Rental income	–	2.7	–	2.7
Proceeds from trading of securities	–	–	35.0	35.0
Total turnover	3.5	2.7	35.0	41.2
RESULTS				
Segment results	(51.1)	(10.7)	(0.7)	(62.5)
Other operating income	–	–	–	0.5
Impairment losses recognised in respect of goodwill arising from acquisition of a subsidiary	–	–	–	(7.9)
Unallocated expenses	–	–	–	(8.6)
Loss before taxation				(78.5)
Taxation				(0.2)
Loss for the year				(78.7)

**Balance sheet
As at 31 December 2006**

	Treasury and investment 2006 HK\$' million	Property 2006 HK\$' million	Securities trading 2006 HK\$' million	Total 2006 HK\$' million
ASSETS				
Segment assets	–	–	–	–
Unallocated corporate assets				0.6
				0.6
LIABILITIES				
Segment liabilities	–	0.7	–	0.7
Unallocated corporate liabilities				1.9
				2.6

As at 31 December 2005

	Treasury and investment 2005 HK\$' million	Property 2005 HK\$' million	Securities trading 2005 HK\$' million	Total 2005 HK\$' million
ASSETS				
Segment assets	68.8	272.0	12.2	353.0
Unallocated corporate assets				6.9
				359.9
LIABILITIES				
Segment liabilities	22.9	0.7	10.2	33.8
Unallocated corporate liabilities				1.3
				35.1

Other information**For the year ended 31 December 2006**

	Treasury and investment 2006 HK\$' million	Property 2006 HK\$' million	Securities trading 2006 HK\$' million	Unallocated 2006 HK\$' million	Total 2006 HK\$' million
Depreciation	–	–	–	0.3	0.3
Loss on written off of investment properties	–	237.0	–	–	237.0
Provision for loss in value of investment properties	–	12.1	–	–	12.1
Allowance for bad and doubtful debts	8.7	–	–	–	8.7
Impairment loss recognised in respect of available-for-sale investments	13.0	–	–	–	13.0
Impairment loss on deposits in an assets management company	32.6	–	–	–	32.6
Impairment loss on deposit refundable	13.8	–	–	–	13.8

For the year ended 31 December 2005

	Treasury and investment 2005 HK\$' million	Property 2005 HK\$' million	Securities trading 2005 HK\$' million	Unallocated 2005 HK\$' million	Total 2005 HK\$' million
Depreciation	–	–	–	0.4	0.4
Decrease in fair value on investment properties	–	13.0	–	–	13.0
Provision for loss on a guarantee agreement	22.9	–	–	–	22.9
Impairment losses recognised in respect of goodwill arising from acquisition of a subsidiary	–	7.9	–	–	7.9
Allowance for bad and doubtful debts	–	–	–	2.5	2.5
Impairment loss recognised in respect of available-for-sale investments	31.7	–	–	–	31.7
Loss on derivative financial instrument	–	–	0.1	–	0.1

(b) Geographical segments

(i) The following table provides an analysis of the Group's turnover by geographical market:

	2006 HK\$' million	2005 HK\$' million
The People's Republic of China, excluding Hong Kong (the "PRC")	–	6.2
Hong Kong	126.1	35.0
	126.1	41.2

(ii) The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment, investment properties and available-for-sale investments analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to plant and equipment, investment properties and available-for-sale investments	
	2006 HK\$' million	2005 HK\$' million	2006 HK\$' million	2005 HK\$' million
The PRC	–	340.8	–	250.0
Hong Kong	0.6	19.1	–	–
	0.6	359.9	–	250.0
4. LOSS BEFORE TAXATION				
Loss before taxation has been arrived at after charging (crediting):				
			2006 HK\$' million	2005 HK\$' million
Directors' remuneration			1.64	1.4
Other staff costs			1.1	0.8
Retirement benefit scheme contributions (excluding those of directors)			0.1	0.1
Total staff costs			2.84	2.3
Auditors' remuneration			0.4	0.3
Cost of securities trading			126.5	35.6
Depreciation			0.3	0.4
Minimum lease rentals in respect of rented premises			1.6	1.4
Loss on disposal of plant and equipment			0.5	–
Gross rental income from investment properties			–	(2.7)
Less: direct outgoing			–	0.4
Net rental income			–	(2.3)

5. TAXATION

	2006 HK\$' million	2005 HK\$' million
The charge attributable to the Company and its subsidiaries comprises:		
Other regions in the PRC	–	0.2

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2006 HK\$' million	2005 HK\$' million
Loss before taxation	(326.8)	(78.5)
Tax at domestic rate of 17.5% (2005: 17.5%)	57.2	13.7
Tax effect of income not taxable for tax purpose	–	0.7
Tax effect of expenses not deductible for tax purpose	(55.6)	(13.3)
Tax effect of tax losses not recognised	(1.6)	(1.5)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	0.2
Taxation charge for the year	–	(0.2)

6. DIVIDEND

No dividend was paid or proposed during 2006, nor has any dividend been proposed since balance sheet date (2005: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	2006 HK\$' million	2005 HK\$' million
Loss for the year	326.8	78.7
	<i>Million</i>	<i>Million</i>
Weighted average number of ordinary shares	351.4	323.5

There were no dilutive potential ordinary shares in existence during both years, accordingly, no diluted loss per share figures are presented.

MANAGEMENT DISCUSSION AND ANALYSIS**Results**

For the year ended 31 December 2006, the Group's turnover amounted to approximately HK\$126.1 million, comparing to HK\$41.2 million reported in the preceding year. It was an increase of approximately 206%. Gross loss from operation was approximately HK\$0.4 million, comparing to a gross profit of HK\$5.1 million in the last year. Loss attributable to the shareholders for the year was HK\$326.8 million, compared to loss of HK\$78.7 million in year 2005, representing an increase of 315%. The loss was mainly due to the written off of an investment property in Jinan City of the People's Republic of China.

Business Review

Property Leasing Business

The Jinan Property

The Jinan Property owned by Grand Noble Group Limited ("Grand Noble"), an indirectly wholly owned subsidiary of the Company, which is situated at the various portions of Level 1 to 4, Qi Lu International Mansion, No. 180 Quancheng Road, Lixia District, Jinan City, Shandong Province, the People's Republic of China was granted by the Qingdao Intermediate People's Court to Shandong Laigang Construction Company Limited ("Shandong Laigang"), a creditor of Grand Noble, on 11 July 2006 to satisfy a debt allegedly owed by Grand Noble to Shandong Laigang. Relevant chronological details are set out below.

The Group sold the entire issued share capital of Grand Noble to True Honest Limited pursuant to an agreement dated 10 October 2004. The consideration of HK\$270 million was to be satisfied by payment to the Group of HK\$20 million in cash and the issue of a promissory note pursuant to which True Honest Limited agreed to pay HK\$250 million to the Group on the day falling 6 months after the date of completion of the transfer of Grand Noble. Details of the disposal of Grand Noble were set out in the Company's announcement dated 19 October 2004. Subsequently, True Honest Limited requested an extension of time for payment under the promissory note and the Company agreed to an extension to 29 June 2005. Details are set out in the Company's announcement dated 13 June 2005. True Honest Limited defaulted in making payment under the promissory note by the expiry of such extended deadline. As a result, the Company took steps to enforce the share charge securing payment under the promissory note and to resume ownership of Grand Noble. Details are set out in the Company's announcement dated 29 June 2005. On 4 August 2005, the Company announced that it had in July 2005 complete the procedure for resuming ownership of Grand Noble and that Grand Noble had become a subsidiary of the Company once again.

None of the current members of the Board was involved in the disposal and/or resumption of Grand Noble as mentioned above. Four of them joined the Board on 8 June 2006, one of them joined on 12 June 2006 and the other joined on 19 April 2007. Since their appointment, the Directors have been carrying out an assessment of the Group's assets and business. The legal adviser as to the PRC Laws appointed by the Board to assist it with such assessment exercise ("PRC Lawyer") informed the Board that the Jinan Property would be put up for auction on 7 July 2006 and this prompt the Company to request suspension of trading in its Shares on 4 July 2006. The PRC Lawyer has also advised the Company that the Jinan Property owned by Grand Noble has been subject to various protection orders granted by the Qingdao Court and the Jinan Intermediate People's Court (collectively, the "PRC Court") to secure certain sums allegedly due to Shandong Laigang and that it had been put up for auction twice before but had remained unsold. The first and second auctions were held well before the appointment of the current Board.

The PRC Lawyer has further advised the Company that, according to the records of the Qingdao Court, on 13 January 2005 (which is after the disposal of Grand Noble by the Group in 2004 and before the Group resumed its ownership in Grand Noble in 2005) the then sole director of Grand Noble made a declaration in which Grand Noble agreed to be contingently liable to repay the sum owed to Shandong Laigang and that Grand Noble should apply to the relevant PRC Court to join itself as a defendant to the relevant proceedings.

On 25 July 2006, the PRC Lawyer provided a judgment granted by the Qingdao Court ("Judgment") on 11 July 2006 to the Shandong Laigang. It is stated in the Judgment that subsequent to the three auctions mentioned above, the reserve price of the Jinan Property at the last of the three auctions was RMB71,410,000 (approximately HK\$72,000,000). Pursuant to a written application made by Shandong Laigang to the Qingdao Court to take possession of the Jinan Property in settlement of the sum owed to it by Grand Noble. The Jinan Property was awarded to Shandong Laigang.

The Company is taking further legal advice as to the availability of any remedy the Group may have so as to recover the Jinan Property and/or the damages it has suffered.

As stated in the audited financial statements of the Company for the year ended 31 December 2006, the Jinan Property was valued at HK\$237 million as at 31 December 2005 which represents 73.0% of the audited consolidated net asset value of the Group as at 31 December 2005. The Company made a provision of HK\$237 million to write off the value to reflect the incident.

The Shanghai Property

On 23 March 2004, the Group entered into agreements to pledge the Shanghai Property to a bank in the PRC to secure for a short-term bank loan of RMB24.0 million (approximately HK\$22.9 million) granted to a third party. In return, the Group received an income of 8% per annum on the face value of the loan. During the year ended 31 December 2005, the bank loan was overdue and the Group was being demanded for repayment. The property was sequestered by a court in the PRC. As a prudent measure, a provision for the loss of HK\$22.9 million for such guarantee contract was made in year 2005.

Recently the Company was informed that further claim of unspecified amount was lodged to the Court in Shandong, the PRC. The Company is taking procedure to clarify the claims through PRC Lawyers. As a prudent measure, a further provision of HK\$12.1 million was made to write off the remaining value of the Shanghai Property to reflect the current situation.

Paper Business

Due to lack of working capital, operations of the Group's associated companies remain in suspension.

Securities Trading Business

The Group had undertaken trading of listed shares and related products in Hong Kong. The trading activities had incurred a loss of approximately HK\$0.4 million.

Treasury and Investment Business

The directors will collaborate with professional advisors and take positive steps to assess and recover the investments of HK\$12 million made in the Heze Century Energy Coalchem Industrial Company Limited and the deposit of HK\$32.6 million placed with an asset management company in the PRC. As a prudent approach, these investments had been fully written off to reflect the uncertainty on recovery possibilities.

The Group had initiated legal actions to recover the HK\$13.8 million deposit payment made for the acquisition of the Daoqin Hospital Management Company Limited. The investment had been fully written off whilst the legal action on recovery continue.

EMPLOYEES

As at 31 December 2006, the Group employed 3 employees and the related staff cost amounted to HK\$1.2 million. Staff remuneration package are reviewed annually. The Group does not maintain a share option scheme.

BUSINESS OUTLOOK

The Group is principally engaged in property investment, treasury and investment business, securities trading, paper manufacturing and energy related business.

The Group intends to diversify into various other businesses to complement its current operations. It will continue to identify suitable investment opportunities for possible acquisitions, including those in property development, property management, real estate agency, industrial manufacturing, trading, oil and gas related businesses, utility projects, Telecommunications, IT and internet related projects.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have compile with the required standard set out in the Model Code throughout the year under review.

CORPORATE GOVERNANCE

The board of directors (the "Board") of Beauforte Investors Corporation Limited (the "Company") has been committed to maintaining the high level of corporate governance within the Company and its subsidiaries (the "Group") in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interest and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited.

SUMMARY OF AUDITORS' REPORT

An extract of the auditors' report to the shareholders of the Company is set out below:

Basis for Qualified Opinion

1. Available-for-sale investment

As disclosed in the financial statements, the Group had an investment in equity shares of an unlisted company, namely Hennabun Management International Limited (formerly known as Hennabun Management Inc.) ("HMI") with nil carrying value as at 31 December 2006 after an impairment loss of approximately HK\$59.0 million (2005: HK\$59.0 million) which was made by the directors of the Company. We were unable to satisfy ourselves as to the reliability of the financial information on which the impairment loss was based and there were no practical alternative audit procedures that we could perform to satisfy ourselves that the investment has been fairly stated at 31 December 2006.

2. The Group's available-for-sale investment was held by a wholly-owned subsidiary of the Company at 31 December 2006. Because of the matters stated above, we were unable to assess whether the impairment losses of approximately HK\$320.2 million charged to the Company's income statement for the year ended 31 December 2006 in respect of the Company's interests in subsidiaries are appropriate. Accordingly, we were unable to satisfy ourselves as to whether the Company's interests in subsidiaries were free from material misstatement as at 31 December 2006.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the matters set out in 1 to 2 above. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the available-for-sale investment and the Company's interests in subsidiaries were free from material misstatements. Any adjustment found to be necessary would affect the net assets of the Group and the Company as at 31 December 2006 and the Group's loss for the year then ended.

Qualified Opinion Arising from Limitation of Audit Scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters set out in the basis for qualified opinion paragraphs, the financial statements give a true and fair view of the state of the affairs of the Group and the Company as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on Matters under Sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitations on our work as set out in the basis for qualified opinion paragraphs, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Emphasis of Matter

The Group recorded consolidated net current liabilities of approximately HK\$2.1 million and capital deficiency of approximately HK\$2.0 million at the balance sheet date and have no operating activities as at the balance sheet date and up to the report date. Without qualifying our opinion, we draw attention to note 1a to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due, and do not include any adjustments that would result from a failure to obtain funding and the disability to meet the financial obligations. We consider that appropriate disclosures have been made in the financial statements and our opinion is not qualified in this respect.

AUDIT COMMITTEE

The Group's financial statements for the year ended 31 December 2006 has been reviewed by the Audit Committee.

As at the date of this announcement, the Directors are as follows:

Executive Directors	Mr. Cheung Chung Leung, Richard Ms. Sun Bo
Non-executive Director	Mr. Hans-Peter Adelrich Josef Hess
Independent non-executive Directors	Mr. Cheng Hong Kei Leung Kwan, Hermann Frank Yu

By order of the Board
Beauforte Investors Corporation Limited
Cheung Chung Leung, Richard
Chairman

Hong Kong, 6 June 2007