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 2004

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 2004 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2004**	**2003**
		HK$ million	*HK$ million*
Turnover	1	18.2	35.4
Other operating income	2	1.4	—
Administrative expenses		(9.4)	(8.1)
Impairment loss recognised in respect of other assets		(3.6)	—
Gain on disposal of an investment property		6.8	—
Net realised loss on disposal of non-trading securities		—	(44.6)
Deficit on revaluation of an investment property		(29.3)	—
Impairment loss recognised in respect of investments in securities		(27.3)	—
Loss from operations	3	(43.2)	(17.3)
Gain on disposal of a jointly controlled entity		—	0.5
Share of results of associates		(18.1)	(0.1)
Amortisation of goodwill in respect of associates		(6.3)	(1.2)
Impairment losses recognised in respect of goodwill arising from acquisition of associates		(41.3)	—
Impairment losses recognised in respect of interests in associates		(138.0)	—
Loss before taxation		(246.9)	(18.1)
Taxation	4	(2.8)	(3.1)
Net loss for the year		(249.7)	(21.2)
Loss per share	5	(85.3) cents	(7.2) cents

1. **BUSINESS AND GEOGRAPHICAL SEGMENTS**

(a) **Business segments**

For management purposes, the Group is currently organised into two operating divisions - treasury and investment, and property. 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.

An analysis of the Group's turnover and results by business segments is as follows:

	Treasury and investment		**Property**		**Total**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
TURNOVER						
Rental income	—	—	18.2	29.5	18.2	29.5
Interest income	—	4.6	—	—	—	4.6
Dividend income	—	1.3	—	—	—	1.3
Total turnover	—	5.9	18.2	29.5	18.2	35.4
RESULTS						
Segment results	(32.8)	(39.5)	(7.3)	25.7	(40.1)	(13.8)
Unallocated expenses					(3.1)	(3.5)
Loss from operations					(43.2)	(17.3)
Gain on disposal of a jointly controlled entity					—	0.5
Share of results of associates					(18.1)	(0.1)
Amortisation of goodwill in respect of associates					(6.3)	(1.2)
Impairment losses recognised in respect of goodwill arising from acquisition associates					(41.3)	—
Impairment losses recognised in respect of interests in associates					(138.0)	—
Loss before taxation					(246.9)	(18.1)
Taxation					(2.8)	(3.1)
Net loss for the year					(249.7)	(21.2)

(b) **Geographical segments**

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the services:

	Turnover	
	2004	**2003**
	HK$ million	*HK$ million*
The People's Republic of China, excluding Hong Kong (the "PRC")	18.2	29.5
Hong Kong	—	5.9
	18.2	35.4

2. **OTHER OPERATING INCOME**

	2004	**2003**
	HK$ million	*HK$ million*
Sundry income	1.4	—

3. **LOSS FROM OPERATIONS**

	2004	**2003**
	HK$ million	*HK$ million*
Loss from operations has been arrived at after charging (crediting):		
Directors' emoluments	1.3	0.3
Contributions to retirement benefit scheme	—	—
Other staff costs	0.7	0.1
Total staff costs	2.0	0.4
Auditors' remuneration	0.6	0.8
Depreciation	0.4	—
Minimum lease rentals in respect of rented premises	1.5	—
Rental income less outgoings of HK$2.3 million (2003: HK$3.8 million)	(15.9)	(25.7)

4. **TAXATION**

	2004	**2003**
	HK$ million	*HK$ million*
The charge comprises:		
Hong Kong Profits Tax	—	(0.2)
Other regions in the PRC	(2.8)	(2.9)
	(2.8)	(3.1)
Taxation attributable to the Company and its subsidiaries	(2.8)	(3.1)

During the year, no provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

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

5. **LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss for the year of approximately HK$249.7 million (2003: HK$21.2 million) and 292,820,000 (2003: 292,820,000 after taken into effect of the share subdivision effective in July 2004) ordinary shares in issue.

There were no dilutive potential ordinary shares in existence during the year and last year, accordingly, no diluted loss per share figures is presented.

6. **DIVIDEND**

The Board of Directors does not recommend the payment of a final dividend for the year. (2003: HK$Nil)

SUMMARY OF AUDITORS' REPORT

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

Basis of opinion

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited.

(i) Included in the consolidated balance sheet as at 31 December 2004 are investments in securities of approximately HK$31.7 million in respect of which an impairment loss of approximately HK$27.3 million has been charged to the consolidated income statement during the year. We were unable to obtain sufficient reliable financial information so as to assess the appropriateness of this impairment loss.

(ii) Included in the consolidated balance sheet as at 31 December 2004 is note receivable of approximately HK$258.0 million in relation to the disposal of a subsidiary, Grand Noble Group Limited. On 12 March 2005, the purchaser defaulted on the second instalment of HK$8.0 million as a result of liquidity difficulties. However, as explained in note 15 to the financial statements, the directors of the Company remain confident that the entire amount of approximately HK$258.0 million will be recovered in full. However, we were unable to obtain evidence to satisfy ourselves to the ability and commitment of the purchaser to settle the amount due. Furthermore, although in the event that the purchaser fails to perform, the Group is entitled to exercise its rights in accordance with the share charge agreement to resume ownership of Grand Noble Group Limited, we were unable to obtain evidence as to the current value of Grand Noble Group Limited. Accordingly, we were unable to satisfy ourselves that the note receivable was free from material misstatement as at 31 December 2004.

(iii) Included in the consolidated balance sheet as at 31 December 2004 are interests in associates of nil value in respect of which impairment losses of approximately HK$179.3 million have been made in full against the Group's share of net assets of approximately HK$138 million and the unamortised balance of the goodwill of approximately HK$41.3 million. However, we were unable to obtain sufficient information and explanations so as to assess the appropriateness of these impairment losses charged to the consolidated income statement during the year. Accordingly, we were unable to satisfy ourselves as to whether the Group's interests in associates were free from material misstatement as at 31 December 2004.

(iv) The Group's investments in securities, note receivable and interests in associates were held by certain subsidiaries of the Company at 31 December 2004. Because of the matters referred to in (i) to (iii) above, we were unable to assess whether the impairment losses of approximately HK$206.6 million charged to the Company's income statement for the year ended 31 December 2004 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 2004.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in (i) to (iv) above. Any adjustments found to be necessary would affect the net assets of the Group at 31 December 2004 and the loss of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Disclaimer of opinion

Because of the significance of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work relating to investments in securities, note receivable and interests in associates, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Note 15 : Note Receivable

THE GROUP

The amount represents promissory note receivable from the purchaser in relation to the disposal of a subsidiary, Grand Noble Group Limited, which holds an investment property. Settlement of the note receivable has been agreed as by way of three instalments. The second instalment amounting to approximately HK$8.0 million was due on 12 March 2005. The third instalment amounting to approximately HK$250.0 million is payable on 12 June 2005.

On 12 March 2005, the purchaser defaulted on the second instalment of approximately HK$8.0 million as a result of liquidity difficulties. However, the directors of the Company remain confident that the entire amount of approximately HK$258.0 million will be recovered in full. Furthermore, should the purchaser fail to perform, the Group is entitled to exercise its rights in accordance with the share charge agreement to resume ownership of Grand Noble Group Limited. Accordingly, no provision in these financial statements is considered necessary by the directors of the Company.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2004, the Group incurred a net loss of HK$249.7 million.

The investment in securities represents the equity interest in Hennabunn Management International Limited ("HMI") acquired in December 2003. As at the date of this report, auditors' report of HMI is still unavailable to the Group. However, an impairment loss of HK$27.3 million was recognized based on the net assets value of HMI according to the management accounts provided to the Group. As a minority shareholder, the directors consider that impairment loss had been reasonably recognised by the Group on the investments in securities to the best of their knowledge and information.

In December 2004, the Group disposed a subsidiary, Grand Noble Group Limited, which mainly held an investment property located at Jinan, Shangdong Province, the People's Republic of China ("the PRC") at a consideration of HK$270.0 million. Deficit on revaluation of the investment property was HK$29.3 million. In respect of the settlement of the consideration, the Group has received a request from the purchaser for deferring the second installment of HK$8.0 million to May 2005. The purchaser has expressed his sincerity for paying the amount and confirmed that the title of the property was still under Grand Noble Group Limited. Since the property market in Jinan was not active, the Group did not immediately exercise the share charge entered into between the Group and the purchaser or request for an immediate assignment of the property back to the Group. The directors had done certain research on the condition of the property market in Jinan and had obtained some professional advice on the market value of the property. It is found that there is no material change in the market value of the property and hence no further impairment loss on the property is recognised for in the event that the Group has to exercise the share charge and reflect the value of the investment property in the consolidated balance sheet.

In relation to the interests in associates, the Group had recognised impairment losses totaling HK$179.3 million in the consolidated income statement. The paper manufacturing plants located at Wuhu and Huzhou in the PRC had occasionally suspended production since the second half year of 2004 and since December 2004 due to electricity supply problem and insufficient working capital. Actions had been taken by the management of the plants and other concerned parties including their major shareholder which is a company listed on the Shenzhen Stock Exchange as well as the local government for their resumption of normal operation. The Group has obtained a written confirmation from the major shareholder for its full support to the plants. However, as a matter of fact, the plants are still not in operation as at the date of this report, as it is difficult to form a concrete opinion on the appropriateness of going concern basis of accounting at this juncture, as a prudent measure, impairment losses were fully recognized in respect of the interests in associates of HK$138.0 million and the goodwill arising from acquisition of the associates of HK$41.3 million.

In December 2004, the Group invested HK$12.0 million in Heze Century Energy CoalChem Industry Company Limited ("Century Energy"), a joint venture company located at Heze, Shangdong Province, the PRC, for development of coal and chemical products related projects. The directors believe that the investment in Century Energy which is principally engaged in coal mining related projects would provide a promising return to the Group based on the huge demand for energy resources in the market.

Recently, the Group had proposed to acquire 80% interest in Shanghai Daoqin Hospital Management Company Limited ("Daoqin Hospital Management") with a consideration of HK$30.2 million. Management fee income would be received by Daoqin Hospital Management from a hospital located in Shangdong Province, the PRC. The directors consider that such acquisition, subject to the condition precedent that relevant PRC government approvals were obtained, would provide a stable return to the Group.

The directors have been closely monitoring the Group's investment and have taken a very conservative and careful approach in assessing the value of the investment. In future, the directors would continue to explore more investment opportunities and streamline the business of the Group so as to enhance the return to the shareholders.

Li Guanghao
Chairman

Hong Kong, 27 April 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property

During the year, the Group had disposed a property located at Shanghai with a gain of HK$6.8 million and a property located at Jinan with a loss of HK$29.3 million. Since the property market in Shangdong Province was not as flourishing as when the Group made its investment in the second half of year 2002, the disposal of the property located at Jinan would minimize the loss on impairment of value of the property to the Group.

As at 31 December 2004, the Group held an office property located at Shanghai for investment purpose. Rental income of HK$2.6 million was contributed from such property for the year.

Treasury and Investment

During the year, the Group had not invested in any listed securities. The investment in securities mainly represents the investment in HMI made in year 2003.

In December 2004, the Group invested HK$12.0 million in Century Energy for development of coal and chemical products related projects so as to diversify the investment of the Group.

Interest in Associates

In year 2003, the Group had acquired 25% interest in a paper manufacturing plant, Zhejiang Risesun Paper Company Limited ("Risesun"), located at Huzhou, Zhejiang Province, the PRC. The plant remained as an associate of the Group for the year ended 31 December 2004. The production of Risesun had been temporarily suspended since December 2004 due to insufficient working capital. The major shareholder of Risesun, which is a company listed on the Shenzhen Stock Exchange, had committed to provide financial supports to Risesun for resumption of operation shortly.

The Group had also completed an investment in another paper manufacturing plant, Wuhu Dongtai Paper Manufacturing Company Limited ("Dongtai"), by injecting the plant and equipment during the year. In the second half of year 2004, the production of Dongtai had been occasionally suspended due to electricity problem and insufficient funds for production. Actions had been taken by the local government, management and the major shareholder of Dongtai, which is a company listed on the Shenzhen Stock Exchange, to resume production shortly.

Financial Review

The Group's turnover for the year ended 31 December 2004 was HK$18.2 million. Since the tenancy agreement of the property located at Jinan was expired in June 2004, the rental income from the said property was decreased by HK$14.7 million.

After the disposal of all the listed securities last year, the Group had not invested in any listed securities during the year. For the investment in the unlisted overseas securities, no dividend income had been received. Thus, there was no income contribution from the treasury and investment segment during the year. In addition, an impairment loss of HK$27.3 million was recognised during the year to reflect the decrease in net assets value of HMI.

The share of results of the associates engaged in the manufacture and sales of paper-related products were loss of HK$18.1 million. The goodwill arising from the acquisition of the associates of HK$41.3 million were fully written off and impairment losses of HK$138.0 million in respect of the interest in associates were recognised at 31 December 2004 to reflect the temporary suspension of production of the associates.

The management has adopted a very conservative approach to assess the value of the Group's investment. As a result of the impairment losses recognized during the year, the net loss for the year increased from HK$21.1 million to HK$249.7 million. The loss per share for the year increased from HK$0.07 to HK$0.85.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the Group had cash and bank balances of HK$4.8 million and had no borrowings.

Charges on Group assets

As at 31 December 2004, an investment property of the Group with a carrying amount of HK$35.0 million was pledged to a bank to secure a short-term bank loan of RMB24.0 million granted to an unrelated third party. In return, the Group receives a guaranteed income of 8% per annum on the loan from this unrelated third party. In addition, the guaranteed income is secured by a corporate guarantee from another unrelated third party.

EMPLOYEES

As at 31 December 2004, the Group employed 8 persons and the staff cost amounted to HK$2.0 million. Staff remuneration packages are reviewed annually. The Group does not maintain a share option scheme.

OUTLOOK

In future, the Group would streamline the existing resources and strengthen the return from individual business segment. The Group would also explore various investment opportunities so to diversify the business of the Group and enhance the return to the shareholders.

CODE OF THE BEST PRACTICE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the independent non-executive directors were not appointed for a specific term as set out in Appendix 14 of the Listing Rules but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

Throughout the year ended 31 December 2004, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions based on the specify enquiry of all the directors of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information as required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remains applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Li Guanghao
Chairman

Hong Kong, 27 April 2005

As at the date of this announcement, the Board comprises Mr. LI Guanghao, Mr. CHEN Baodong and Mr. LI Zhaohui as executive directors and Mr. CHEUNG Hok Fung, Alexander, Ms. LEUNG Fung Yee, Alice and Ms. Lou Aidong as independent non-executive directors.