

BEAUFORTE INVESTORS CORPORATION LIMITED

寶福集團有限公司

(incorporated in Hong Kong with limited liability)

Stock Code: 21

VERY SUBSTANTIAL DISPOSAL DISPOSAL OF GRAND NOBLE

The Directors announce that Ocean Pearl Investments Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser on 19 October 2004 pursuant to which Ocean Pearl Investments Limited has agreed to sell, and the Purchaser has agreed to purchase, the entire issued share capital of Grand Noble at a consideration of HK\$270 million.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Disposal is conditional on approval by the Shareholders at the EGM.

A circular containing further information on the Disposal and the Group, together with a notice of EGM, will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

1. Date

19 October 2004

2. Parties

Vendor: Ocean Pearl Investments Limited
The Vendor is an investment holding company incorporated in the BVI and a wholly-owned subsidiary of the Company.

Purchaser: True Honest Limited
The Purchaser is an investment holding company incorporated in the BVI. The Purchaser is introduced by a friend of a Director. The Company has no prior business relationship with the Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

3. Subject matter of the Agreement

Two ordinary shares of Grand Noble in issue, representing the entire issued share capital of Grand Noble legally and beneficially owned by the Vendor.

Grand Noble is a property investment company incorporated in the BVI. The Company acquired Grand Noble in August 2002 and Grand Noble has been a wholly owned subsidiary of the Company since then. The principal asset of Grand Noble is the PRC Property. Other than the PRC Property, Grand Noble does not own any fixed assets.

According to a preliminary valuation on the PRC Property made by an independent property valuer, taking 30 September 2004 as the date of valuation, the value of the PRC property was approximately HK\$250 million.

As at 30 June 2004, the unaudited book value of the PRC Property was HK\$320 million.

4. Consideration

The Consideration is HK\$270 million (or an equivalent amount in RMB as the Vendor may in absolute discretion determine). The Consideration was agreed after arm's length negotiation between the Vendor and the Purchaser and on normal commercial terms and determined with reference to the value of the PRC Property.

The payment terms of the Consideration are as follows:

- (1) the Purchaser shall pay HK\$20 million (or an equivalent amount in RMB as the Vendor may in absolute discretion determine) upon Completion; and
- (2) the Purchaser shall pay the balance of the Consideration of HK\$250 million by way of delivery of a promissory note ("**Promissory Note**") to the Vendor upon Completion. The Purchaser shall pay the sum of HK\$250 million to the order of the Vendor on the day falling on the expiry of six months from the date of Completion.

The parties to the Agreement have agreed that no deposit shall be paid by the Purchaser before the Completion.

5. Conditions of the Disposal

The Disposal is conditional upon the passing of an ordinary resolution by the Shareholders approving the Disposal at the EGM as required by the Listing Rules and the obtaining by the Vendor and the Company of all necessary consents, authorisations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance of the terms of the Agreement which may be required under the Listing Rules, from the Stock Exchange or any regulatory authority.

In the event that any of the conditions precedent shall not have been fulfilled in full on or before 5:00 p.m. on the Longstop Date, the Agreement will lapse.

6. Completion Date

The third business day after the last outstanding conditions precedent shall have been fulfilled or such other date as the parties hereto shall agree in writing.

At Completion, the Purchaser shall execute a mortgage in favour of the Vendor in respect of the Sale Shares as security for the Purchaser's obligation to pay such sum owed by the Purchaser under the Promissory Note.

As at the date of the Agreement, the Vendor is indebted to Grand Noble for approximately HK\$30.2 million, which represents the inter-company interest-free loan made by Grand Noble to the Vendor prior to the entering into of the Agreement. At Completion, Grand Noble shall execute a deed of waiver in favour of the Vendor to waive such loan.

7. Information of Grand Noble

The unaudited net profit of Grand Noble and the unaudited book value of the PRC Property (prepared in accordance with Hong Kong GAAP) are as follows:

	For the year ended 31 December		For the six months ended
	2002	2003	30 June 2004
	HK\$ million	HK\$ million	HK\$ million
Net profit (before taxation and extraordinary items) of Grand Noble	8.5	25.7	12.8
Net profit (loss) (after taxation and extraordinary items) of Grand Noble	7.5	22.8	11.4
Book value of the PRC Property	320	320	320

The unaudited net asset value of Grand Noble for the year ended 31 December 2002 and 2003 are approximately HK\$327.5 million and approximately HK\$350.3 million respectively.

For the year ended 31 December 2003 and the six months ended 30 June 2004, the revenue of Grand Noble, which is entirely attributable to the rental income of the PRC Property, amounted to HK\$29.5 million and HK\$14.7 million respectively.

The PRC Property is currently occupied by an Independent Third Party which is the former tenant of the PRC Property ("**Former Tenant**"). The Directors are not aware of any relationship between the Former Tenant and the Purchaser. The tenancy agreement pursuant to which the PRC Property was leased to the Former Tenant expired in June 2004. Approximately HK\$11.4 million rental payable by the Former Tenant pursuant to the expired tenancy agreement has not been paid by the Former Tenant. The Group and the Former Tenant have not entered into any tenancy agreement since the expiry of the previous tenancy agreement and the parties have been in the process of negotiating the arrangement in relation to the payment for the occupation of the PRC Property by the Former Tenant after the expiry of the tenancy agreement. However, no agreement has been reached between the Group and the Former Tenant. The net monthly rental payable by the Former Tenant under the expired tenancy agreement was HK\$1.9 million. Assuming that the tenancy agreement was renewed upon the expiry of the previous tenancy agreement at the same monthly rental of HK\$1.9 million, the Group should have received a rental of HK\$5.7 million for the period from July 2004 to September 2004. In view of the fact that the negotiation between the Group and the Former Tenant regarding the arrangement for the payment of the occupation fee after the expiry of the tenancy agreement is still underway, the Directors believe that any legal actions taken against the Former Tenant may have a negative impact on the position of the parties. The PRC Property has been leased to the Former Tenant since 2002 and the Directors consider that the Group has established a long term relationship with the Former Tenant. In view of such relationship between the Group and the Former Tenant and the negotiations between the parties referred to above, the Group has not taken any legal action against the Former Tenant for its failure to pay any occupation fee or rent to the Group.

The Purchaser has acknowledged in the Agreement that:

- (1) the PRC Property is currently occupied by the Former Tenant ("**Occupation**") without paying Grand Noble any rent or fee of any nature;
- (2) no tenancy or licence or agreement of a similar nature is subsisting in relation to such Occupation;
- (3) no such agreement is expected to be entered into by Grand Noble and the Former Tenant on or before the Completion; and
- (4) at Completion, the PRC Property will be delivered to the Purchaser on an "as is" basis.

8. Reasons for the Disposal

The Directors consider that the property market in the Shandong Province is not as flourishing as when the Group made its investment in the PRC Property in the second half of year 2002. The value of the PRC Property has been going down since the beginning of year 2004. The Directors believe that the Disposal represents a good opportunity for the Group to realize, in essence, its investment in the PRC Property at a reasonable price, thus enabling the Group to make other investment which may have better returns.

The Directors are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

9. Use of proceeds

The Group intends to apply the net proceeds of approximately HK\$268 million from the Disposal as follows:

- (1) as to about HK\$250 million for treasury and investment; and
- (2) as to about HK\$18 million as additional working capital of the Group.

10. Financial effect on the Disposal

It is estimated that, as a result of the Disposal, the Group will record a book loss of approximately HK\$61.5 million which represents the difference between the Consideration of HK\$270 million, the net assets of approximately HK\$361.7 million of Grand Noble as at 30 June 2004, without taking into account the preliminary valuation of the PRC Property as referred to in the paragraph headed "Subject matter of the Agreement" above, and the waiver by Grand Noble at Completion of an amount of approximately HK\$30.2 million owing by the Vendor to Grand Noble.

Upon completion of the Disposal, Grand Noble will cease to be a subsidiary of the Company.

11. General

The Group is currently organised into two operating divisions — (i) treasury and investment and (ii) investment in property to generate rental income.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Disposal is conditional on approval by the Shareholders at the EGM. The Company has confirmed with the Purchaser that none of the Purchaser nor any of its associates is holding any shares in the Company. As such, no Shareholder is required to abstain from voting at the EGM.

A circular containing further information on the Disposal and the Group, together with a notice of EGM, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Agreement"	the agreement for sale and purchase of the Sale Shares dated 19 October 2004 and entered into between the Vendor and the Purchaser
"BVI"	the British Virgin Islands
"Company"	Beauforte Investors Corporation Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	the completion of the Disposal in accordance with the terms of the Agreement
"Consideration"	the consideration for the Disposal to be paid by the Purchaser pursuant to the Agreement
"Directors"	the directors of the Company
"Disposal"	the disposal by the Vendor of the Sale Shares pursuant to the Agreement
"EGM"	an extraordinary general meeting of the Company to be convened for approving the Agreement and the Disposal
"GAAP"	generally accepted accounting principles
"Grand Noble"	Grand Noble Group Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, being the subject matter of the Agreement
"Group"	the Company and its subsidiaries
"HK\$" / "RMB"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	independent third party(ies) who is/are independent of and not connected with the Company and any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"Longstop Date"	the day falling on the expiry of 60 days from the date of the Agreement (or such later date as the Vendor and the Purchaser may agree in writing)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"PRC Property"	the property owned by Grand Noble which is situated at the various portions of Level 1 to Level 4, Qi Lu International Mansion, No. 180 Quancheng Road, Lixia District, Jinan City, Shandong Province, the PRC
"Purchaser"	True Honest Limited
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Sale Shares"	the two ordinary shares of US\$1 each of Grand Noble in issue, representing the entire issued share capital of Grand Noble
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Ocean Pearl Investments Limited, an investment holding company incorporated in the BVI and a wholly owned subsidiary of the Company
"%"	per cent.

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

Executive Directors	Mr. Liang Xudong, Robert, Mr. Chen Baodong, Mr. Li Guanghao and Mr. Li Zhaohui
Independent non-executive Directors	Mr. Cheung Hok Fung, Alexander, Ms. Leung Fung Yee, Alice and Ms. Lou Aidong

By order of the Board
Liang Xudong, Robert
Chairman

Hong Kong, 19 October 2004