

Beauforte Investors Corporation Limited

(Incorporated in Hong Kong with limited liability)

2004

Interim Report

INTERIM RESULTS

The Board of Directors (the “Board”) of Beauforte Investors Corporation Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”), for the six months ended 30 June 2004 together with the comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2004

		Six months ended 30 June	
	Notes	2004	2003
		(Unaudited)	(Unaudited)
		HK\$ million	HK\$ million
Turnover	3	16.4	19.2
Other operating income		—	0.5
Administrative expenses		(4.3)	(3.6)
Gain on disposal of an investment property		6.8	—
Impairment loss recognised in respect of investments in securities		(6.0)	—
Net realised loss on disposal of non-trading equity securities		—	(1.9)
Profit from operations	4	12.9	14.2
Share of results of associates		(0.6)	(1.2)
Amortisation of goodwill in respect of associates		(2.4)	(0.5)
Profit before taxation		9.9	12.5
Taxation	5	(2.6)	(1.6)
Net profit for the period		7.3	10.9
Earnings per share - basic	7	HK\$0.025	HK\$0.037

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2004

	<i>Notes</i>	30 June 2004 (Unaudited) HK\$ million	31 December 2003 (Audited) HK\$ million
Non-current assets			
Plant and equipment	8	1.5	2.2
Other assets	9	3.6	148.2
Investment properties	10	355.0	384.0
Investments in securities	11	53.0	59.0
Interests in associates	12	200.6	88.4
Negative goodwill		—	(7.4)
		<u>613.7</u>	<u>674.4</u>
Current assets			
Accounts receivable	13	12.7	—
Other receivables, deposits and prepayments	14	39.7	1.1
Bank balances and cash		7.2	29.2
		<u>59.6</u>	<u>30.3</u>
Current liability			
Other payables and accrued charges		2.8	15.5
Net current assets		<u>56.8</u>	<u>14.8</u>
Total assets less current liabilities		670.5	689.2
Non-current liability			
Deferred taxation liability	15	—	25.5
Net assets		<u>670.5</u>	<u>663.7</u>
Capital and reserves			
Share capital		117.1	117.1
Reserves		553.4	546.6
Shareholder's funds		<u>670.5</u>	<u>663.7</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2004**

	Share capital	Share premium	Investment property revaluation reserve	Investment revaluation reserve	Accumulated profits	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January 2003	117.1	39.3	30.0	(44.0)	495.9	638.3
Surplus on revaluation of non-trading equity securities not recognised in the consolidated income statement	—	—	—	0.7	—	0.7
Released on disposal of non-trading equity securities	—	—	—	21.6	—	21.6
Net profit for the period	—	—	—	—	10.9	10.9
At 30 June 2003	117.1	39.3	30.0	(21.7)	506.8	671.5
Surplus on revaluation of investment properties not recognised in the consolidated income statement	—	—	2.6	—	—	2.6
Released on disposal of non-trading equity securities	—	—	—	21.7	—	21.7
Net loss for the period	—	—	—	—	(32.1)	(32.1)
At 31 December 2003	117.1	39.3	32.6	—	474.7	663.7
Released on disposal of an investment property	—	—	(0.5)	—	—	(0.5)
Net profit for the period	—	—	—	—	7.3	7.3
At 30 June 2004	117.1	39.3	32.1	—	482.0	670.5

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2004**

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash (used in) from operating activities	(53.3)	15.7
Net cash from investing activities	31.3	4.9
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Net (decrease) increase in cash and cash equivalents	(22.0)	20.6
Cash and cash equivalents at the beginning of the period	29.2	14.5
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Cash and cash equivalents at the end of the period	7.2	35.1
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Analysis of the balances of cash and cash equivalents		
Bank balances and cash	7.2	35.1
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

1. BASIS OF PREPARATION

The condensed 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 and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2003.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions - (i) treasury and investment and (ii) property. These divisions are the basis on which the Group reports its primary segment information.

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

	Treasury and investment		Property		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
TURNOVER						
Interest income	—	3.2	—	—	—	3.2
Dividend income	—	1.3	—	—	—	1.3
Rental income	—	—	16.4	14.7	16.4	14.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total turnover	—	4.5	16.4	14.7	16.4	19.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
RESULTS						
Segment results	(6.0)	2.1	21.2	12.9	15.2	15.0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>		
Unallocated expenses					(2.3)	(0.8)
					<hr/>	<hr/>
Profit from operations					12.9	14.2
Share of results of associates					(0.6)	(1.2)
Amortisation of goodwill in respect of associates					(2.4)	(0.5)
					<hr/>	<hr/>
Profit before taxation					9.9	12.5
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4. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million

Profit from operations has been arrived at after charging (crediting):

Depreciation of plant and equipment	0.2	—
Rental income less outgoing of HK\$2.1 million (2003: HK\$1.8 million)	(14.3)	(12.9)
Interest income	—	(3.2)
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5. TAXATION

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million
The charge comprises:		
Hong Kong Profits Tax	—	(0.2)
People's Republic of China (the "PRC")		
Enterprise Income Tax	<u>(2.6)</u>	<u>(1.4)</u>
	<u>(2.6)</u>	<u>(1.6)</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period. No provision for taxation has been made for the current period as the Group did not have any assessable profit arising from Hong Kong.

PRC Enterprise Income Tax is calculated at the prevailing tax rates, which comprises tax levied on rental income earned and gain arising from disposal of an investment property in the PRC.

6. INTERIM DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the period (2003: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$7.3 million (2003: HK\$10.9 million) and 292,820,000 (2003: 292,820,000) ordinary shares in issue after adjusted for the effect of share subdivision on 2 July 2004 as disclosed in note 16.

There were no potential ordinary shares in existence during the period and the corresponding period of last year and accordingly, no diluted earnings per share figures are presented.

8. PLANT AND EQUIPMENT

During the period, the Group disposed of plant and equipment at a carrying amount of HK\$0.5 million.

9. OTHER ASSETS

Other assets of HK\$3.6 million represent amounts paid for forming a new company for future investment in an overseas project.

10. INVESTMENT PROPERTIES

During the period, the Group disposed of an investment property with a carrying amount of HK\$29.0 million for cash consideration of HK\$37.7 million, resulting in a gain on disposal of HK\$6.8 million.

As at 30 June 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.

11. INVESTMENTS IN SECURITIES

During the period, an impairment loss was recognised in respect of unlisted overseas securities.

12. INTERESTS IN ASSOCIATES

	30 June 2004 (Unaudited) HK\$ million	31 December 2003 (Audited) HK\$ million
Share of net assets	155.4	69.6
Unamortised goodwill arising on acquisition of associates	<u>45.2</u>	<u>18.8</u>
	<u>200.6</u>	<u>88.4</u>

Goodwill is amortised on a straight line basis over its economic life of five to ten years.

During the period, the Group injected plant and machinery with a carrying value of HK\$148.2 million, which were acquired through the acquisition of a subsidiary in 2003, as its contributed capital of a 25% owned associate. The corresponding negative goodwill arisen from previous acquisition of the subsidiary has been eliminated and included in the calculation of goodwill arising from the acquisition of this associate.

Particulars of the Group's associates as at 30 June 2004 are as follows:

Name of associate	Place of incorporation and operation	Contributed capital	Proportion of contributed capital held by the Group		Principal activities
			30.6.2004	31.12.2003	
Zhejiang Risesun Paper Co., Ltd.	PRC	US\$3.615 million	25%	25%	Manufacture and sale of paper- related products
Wuhu Dongtai Paper Mfg. Co., Ltd	PRC	RMB100 million	25%	—	Manufacture and sale of paper- related products

13. ACCOUNTS RECEIVABLE

Accounts receivable represent rental income from investment properties let under operating leases. Invoices are payable upon receipt.

The following is an aged analysis of accounts receivable:

	30 June 2004 (Unaudited) HK\$ million	31 December 2003 (Audited) HK\$ million
30 days	2.1	—
31 to 90 days	4.2	—
Over 90 days	6.4	—
	<hr/>	<hr/>
	12.7	—
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14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments comprise mainly of amounts receivable from disposal of an investment property.

15. DEFERRED TAXATION

During the period, deferred taxation liability in relation to assets acquired through acquisition of a subsidiary in 2003 amounted to HK\$25.5 million was adjusted to negative goodwill. Details of the movement of the negative goodwill in connection with the investment in an associate are set out in note 12.

16. POST BALANCE SHEET EVENT

Pursuant to an ordinary resolution passed on 30 June 2004, the Company's authorised share capital of HK\$400,000,000 divided into 100,000,000 ordinary shares of HK\$4.0 each was subdivided into 1,000,000,000 ordinary shares of HK\$0.4 each with effect from 2 July 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In view of the prosperous property market in Shanghai, the Company had disposed one of the properties located at Shanghai with a gain of HK\$6.8 million. In addition, another property located at Shanghai was rented out during the period.

In March 2004, the Company had completed the investment in another paper manufacturing plant at Wuhu, Anhui Province, the People's Republic of China.

Financial Review

The Group's turnover for the six months ended 30 June 2004 was HK\$16.4 million. Since another property located at Shanghai was rented out during the period, the income from the property segment was increased by HK\$1.7 million or 12% as compared to the corresponding period last year.

After the disposal of all the listed securities last year, the Group had not invested in any listed securities during the period. For the investment in the unlisted overseas securities, no dividend income has been received. Thus, there was no income contribution from the treasury and investment segment during the period.

The share of results of associates engaged in the manufacture and sales of paper-related products was a loss of HK\$0.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2004, the Group had cash and bank balances of HK\$7.2 million and had no borrowings.

Charges on Group assets

As at 30 June 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 30 June 2004, the Group employed 6 persons and the staff cost amounted to HK\$0.3 million. Staff remuneration packages are reviewed annually. The Group does not maintain a share option scheme.

OUTLOOK

In future, the Group will streamline the existing resources and strengthen the return from individual business segment. The Group will also explore more investment opportunities to enhance the return from the treasury and investment segment.

DIRECTORS' AND CHIEF EXECUTIVE' INTERESTS

As at 30 June 2004, none of the directors nor chief executives of the Company had interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which are required (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30 June 2004, the interest or short positions of the persons, other than the directors and chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	No. of ordinary shares	% in total issued shares
(i) Mr. Shen Song Ning	Through controlling corporation (ii)	8,780,000	29.98
(ii) Max Team Investments Limited	Through controlling corporation (iii)	8,780,000	29.98
(iii) Honourable International Holdings Limited	Beneficial owner	8,780,000	29.98

All the interests stated above represented long position in the shares of the Company as at 30 June 2004, there was no short position recorded in the register required to be kept under section 336 of the SFO.

CODE OF THE BEST PRACTICE

The independent non-executive directors, Mr. Cheung Hok Fung, Alexander and Ms. Leung Fung Yee, Alice, are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting, as specified by the Company's articles of association. In the opinion of the directors, this meets the same objective as the Code of Best Practice set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as aforesaid, none of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW BY AUDIT COMMITTEE

The 2004 interim report has been reviewed by the audit committee which comprises the three independent non-executive directors of the Company.

By order of the Board
Liang Xudong, Robert
Chairman

Hong Kong, 24 September 2004

As at the date of this interim report, the Board comprises Mr. Liang Xudong, Robert, Mr. Chen Baodong and Mr. Li Guanghao as executive directors and Mr. Cheung Hok Fung, Alexander, Ms. Leung Fung Yee, Alice and Ms. Lou Aidong as independent non-executive directors.