

Beauforte Investors Corporation Limited

(Incorporated in Hong Kong with limited liability)

2005
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 2005 together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

		Six months ended 30 June	
	NOTES	2005	2004
		(Unaudited)	(Unaudited)
		HK\$ million	HK\$ million
Turnover	2	4.8	16.4
Other operating income		0.5	—
Taxes and levies on leasing properties		(0.2)	(1.9)
Administrative expenses		(2.8)	(2.4)
Gain on disposal of an investment property		—	6.8
Impairment loss recognised in respect of available-for-sale financial assets		(26.3)	(6.0)
(Loss)/profit from operations	3	(24.0)	12.9
Share of results of associates		—	(0.6)
Amortisation of goodwill in respect of associates		—	(2.4)
(Loss)/profit before taxation		(24.0)	9.9
Taxation	4	(0.1)	(2.6)
Net (loss)/profit for the period		(24.1)	7.3
(Loss)/earnings per share - basic	6	HK\$(0.082)	HK\$0.025

**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2005**

	<i>NOTES</i>	30 June 2005 (Unaudited) HK\$ million	31 December 2004 (Audited) HK\$ million
Non-current assets			
Plant and equipment		1.1	1.3
Investment property	7	35.0	35.0
Available-for-sale financial assets	8	17.4	43.7
Interests in associates	9	—	—
		53.5	80.0
Current assets			
Accounts receivable	10	0.3	2.6
Deposit paid for acquisition of a subsidiary		5.0	—
Other receivables, deposits and prepayments	11	44.1	39.2
Note receivable		258.0	258.0
Bank balances and cash		21.6	4.8
		329.0	304.6
Current liabilities			
Other payables and accrued charges		2.7	3.2
Receipt in advance		0.4	—
		3.1	3.2
Net current assets		325.9	301.4
Net assets		379.4	381.4
Capital and reserves			
Share capital	12	140.5	117.1
Reserves		238.9	264.3
Shareholder's funds		379.4	381.4

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2005**

	Share capital	Share premium	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>
At 1 January 2004	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	117.1	39.3	32.1	482.0	670.5
Deficit on revaluation of an investment property	—	—	(32.1)	—	(32.1)
Net loss for the period	—	—	—	(257.0)	(257.0)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	117.1	39.3	—	225.0	381.4
Issue of new shares	23.4	(1.3)	—	—	22.1
Net loss for the period	—	—	—	(24.1)	(24.1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	<u>140.5</u>	<u>38.0</u>	<u>—</u>	<u>200.9</u>	<u>379.4</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005**

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash used in operating activities	(0.3)	(53.3)
Net cash (used in)/from investing activities	(5.0)	31.3
Net cash from financing activities	22.1	—
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	16.8	(22.0)
Cash and cash equivalents at the beginning of the period	4.8	29.2
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	21.6	7.2
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	21.6	7.2
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They have been prepared under historical cost convention, except for investment properties that have been measured at fair value. The principal accounting policies used in the preparation of the unaudited condensed consolidated information are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 31 December 2004, except for those mentioned below.

During the period beginning on 1 January 2005, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for the accounting periods beginning on or after 1 January 2005.

The major effects of adoption of the new HKFRSs are summarised below:

In prior periods, the Group’s long term investment was stated at historical cost. The adoption of HKAS 39 “Financial Instruments: Recognition and Measurement”, it is grouped under available-for-sale financial asset which is carried at fair value, where an active market exists, with any unrealized gains and losses recognized in equity. Available-for-sale financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques is carried at cost less impairment. The adoption of HKAS 39 does not have any material effect on the accounts.

The Group’s investment properties were stated at fair value. In prior years, increase in valuation of investment properties were credited to the investment properties revaluation reserve while decrease in the valuation of investment properties were firstly set off against the surplus of the investment properties revaluation reserve and thereafter charged to the income statement. Following the adoption of HKAS 40 “Investment properties”, all changes in valuation of investment properties are to be recognised in income statement. The adoption of HKAS 40 does not have any material effect on the accounts.

The preparation of the unaudited condensed consolidated financial information in conformity with the new HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed consolidated financial information include provision for doubtful debts, provision for taxation and provision for asset impairment.

2. 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 30 June 2005 (Unaudited) HK\$ million	2004 (Unaudited) HK\$ million	Six months ended 30 June 2005 (Unaudited) HK\$ million	2004 (Unaudited) HK\$ million	Six months ended 30 June 2005 (Unaudited) HK\$ million	2004 (Unaudited) HK\$ million
TURNOVER						
Interest income from other receivable	3.5	—	—	—	3.5	—
Rental income	—	—	1.3	16.4	1.3	16.4
	<u>3.5</u>	<u>—</u>	<u>1.3</u>	<u>16.4</u>	<u>4.8</u>	<u>16.4</u>
Total turnover	<u>3.5</u>	<u>—</u>	<u>1.3</u>	<u>16.4</u>	<u>4.8</u>	<u>16.4</u>
RESULTS						
Segment results	<u>(22.8)</u>	<u>(6.0)</u>	<u>1.1</u>	<u>21.2</u>	<u>(21.7)</u>	<u>15.2</u>
Other operating income					0.5	—
Unallocated expenses					<u>(2.8)</u>	<u>(2.3)</u>
(Loss)/profit from operations					<u>(24.0)</u>	<u>12.9</u>
Share of results of associates					—	(0.6)
Amortisation of goodwill in respect of associates					<u>—</u>	<u>(2.4)</u>
(Loss)/ profit before taxation					<u>(24.0)</u>	<u>9.9</u>

3. (LOSS)/PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million
(Loss)/profit from operations has been arrived at after charging (crediting) :		
Depreciation of plant and equipment	0.2	0.2
Rental income less outgoing of HK\$0.2 million (2004 : HK\$2.1 million)	(1.1)	(14.3)
Interest income	(3.5)	—
	<u> </u>	<u> </u>

4. TAXATION

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million
The charge comprises:		
Hong Kong Profits Tax	—	—
PRC Foreign Enterprise Income Tax	(0.1)	(2.6)
	<u> </u>	<u> </u>
	<u>(0.1)</u>	<u>(2.6)</u>

Provision for Hong Kong Profits Tax has not been made for both periods as the Group's income neither arises in, nor is derived from Hong Kong.

PRC Foreign Enterprise Income Tax is calculated at the rates prevailing in the respective jurisdictions.

5. INTERIM DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the period. (2004: NIL)

6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the net loss for the period of HK\$24.1 million (2004: net profit of HK\$7.3 million) and the weighted average number of 295,084,906 (2004: 292,820,000) ordinary shares in issue.

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

7. INVESTMENT PROPERTY

	30 June 2005 (Unaudited) HK\$ million	31 December 2004 (Audited) HK\$ million
At valuation	<u>35.0</u>	<u>35.0</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2005 (Unaudited) HK\$ million	31 December 2004 (Audited) HK\$ million
Unlisted share overseas		
Hennabun Management International Limited (Formerly known as Hennabun Management Inc.) (“HMI”)		
At cost	59.0	59.0
Impairment losses recognised	<u>(53.6)</u>	<u>(27.3)</u>
	5.4	31.7
Unlisted shares in PRC		
Heze Century Energy Coalchem Industry Co. Limited		
At cost	<u>12.0</u>	<u>12.0</u>
	<u>17.4</u>	<u>43.7</u>

At 30 June 2005, the directors of the Company assessed the carrying value of the Group’s available-for-sale financial assets and recognised an additional impairment loss of HK\$26.3 million in respect of the investment in HMI. The impairment loss was recognised based on the net assets value of HMI according to the unaudited management accounts made up to 30 June 2005. The directors of the Company considered that impairment losses had been reasonably recognised to the best of their knowledge and information.

9. INTERESTS IN ASSOCIATES

	30 June 2005 (Unaudited) HK\$ million	31 December 2004 (Audited) HK\$ million
Share of net assets	138.0	138.0
Impairment losses recognised in respect of interests in associates	(138.0)	(138.0)
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Particulars of the Group's associates as at 30 June 2005 are as follows:

Name of associate	Place of incorporation and operation	Paid up capital	Proportion of contributed capital held by the Group		Principal activities
			30.6.2005	31.12.2004	
Wuhu Dongtai Paper Mfg. Co. Ltd 蕪湖東泰紙業有限公司	The People's Republic of China ("PRC")	RMB100 million	25%	25%	Manufacture and sale of paper-related products
Zhejiang Risesun Paper Co., Ltd 浙江瑞森紙業有限公司	PRC	US\$3.615 million	25%	25%	Suspended operation

10. ACCOUNTS RECEIVABLE

Accounts receivable represents 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 2005 (Unaudited) HK\$ million	31 December 2004 (Audited) HK\$ million
Within 30 days	0.3	0.2
31 to 90 days	—	0.5
91 to 180 days	—	0.5
181 to 365 days	—	1.4
	<u>0.3</u>	<u>2.6</u>
	<u>0.3</u>	<u>2.6</u>

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables is an amount of HK\$34.3 million placed with a third party (the “Manager”) for investment purpose for the period from 1 July 2004 to 1 July 2005. The Manager is a company established in the PRC and engaged in investment advisory, asset management and other related businesses. During the period, an interest income of HK\$3.5 million was received.

12. SHARE CAPITAL

During the period, the Company allotted 58,564,000 ordinary shares of HK\$0.4 each at par value for cash to provide additional working capital for the Company.

13. OPERATING LEASE COMMITMENT

The Group as Lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2005 (Unaudited) HK\$ million	31 December 2004 (Audited) HK\$ million
Within 1 year	<u>1.3</u>	<u>—</u>

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	30 June 2005 (Unaudited) HK\$ million	31 December 2004 (Audited) HK\$ million
Within 1 year	0.9	1.4
In the second to fifth year inclusive	<u>0.3</u>	<u>1.0</u>
	<u>1.2</u>	<u>2.4</u>

Operating lease payments represent rentals payable by the Group for its office property. Lease is negotiated for a term of three years and rentals are fixed for three years.

14. PLEDGE OF ASSETS AND CONTINGENT LIABILITY

The Group's investment property was pledged to a bank to secure a short-term bank loan of RMB24.0 million granted to a third party in return of an income of 8% per annum on the loan from this third party. The income is secured by a corporate guarantee from another third party. As at 30 June 2005, the said bank loan was overdue. During the period, an income of HK\$0.5 million was received.

15. CAPITAL COMMITMENT

On 12 April 2005, the Group entered into a share transfer agreement with Shenzhen Dongrun Investment Company Limited (深圳市東潤投資有限責任公司) to acquire 80% equity interests in Shanghai Daoqin Hospital Management Company Limited (上海道勤醫院投資管理有限公司) which is engaged in the provision of hospital management, at a consideration of HK\$30.2 million. During the period, the Group has made a partial payment of HK\$5.0 million.

16. POST BALANCE SHEET EVENT

On 19 October 2004, the Company entered into an agreement to dispose a subsidiary, Grand Noble Group Limited ("Grand Noble") at a consideration of HK\$270.0 million. The purchaser satisfied the consideration by cash of HK\$12.0 million and the balance by way of promissory notes totalling of HK\$258.0 million to the order of the Company on 12 March 2005 and 12 June 2005. The promissory notes were secured by a share charge executed by the purchaser.

As the purchaser failed to make good of the promissory notes at the due dates, the Company decided to enforce the share charge. In July 2005, the Company has completed the procedures for resuming the ownership of Grand Noble. Grand Noble then became a subsidiary of the Company and have its assets and liabilities consolidated with those of the Group. According to the unaudited management accounts of Grand Noble prepared under Hong Kong generally accepted accounting principles, the net asset value of Grand Noble as at 30 June 2005 was around HK\$261.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2005, the property located in Shanghai, the People's Republic of China ("the PRC") has been fully let out for earning rental income.

The paper manufacturing plant, Wuhu Dongtai Paper Manufacturing Company Limited ("Dongtai"), an associate of the Group located in Wuhu, Anhui Province, the PRC has resumed production in June 2005.

The other paper manufacturing plant, Zhejiang Risesun Paper Company Limited ("Risesun"), an associate of the Group located in Huzhou, Zhejiang Province, the PRC still suspended its production.

In June 2005, the purchaser of Grand Noble Group Limited ("Grand Noble"), a subsidiary of the Group in year 2004, has defaulted to pay the consideration for acquiring Grand Noble. Accordingly, the Group has exercised the share charge and resumed the legal ownership of Grand Noble in July 2005. The principal asset of Grand Noble was an investment property located in Jinan, Shangdong Province, the PRC, which has been vacant during the period ended 30 June 2005.

Financial Review

The Group's turnover for the six months ended 30 June 2005 was HK\$4.8 million. The decrease in turnover was due to the investment property located in Jinan was disposed in December 2004. As a result, there was no rental income contributed from the said property during the period ended 30 June 2005 as compared to the corresponding period last year.

The Group has remained one investment property for letting purpose during the period ended 30 June 2005. The income from the property segment was HK\$1.3 million.

During the period ended 30 June 2005, the Group has received an interest income of HK\$3.5 million in respect of a deposit placed with an investment company.

Since Dongtai has just resumed production in June 2005 and Risesun still suspended its operation, there were no profit or loss sharing from the associates during the period ended 30 June 2005.

Impairment loss of HK\$26.3 million in respect of the investment in Hennabun Management International Limited ("HMI") has been recognized due to the operating loss incurred and the decrease in net assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Group had cash and bank balances of HK\$21.6 million and had no borrowings.

Charges on Group assets

As at 30 June 2005, 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 2005, the Group had 8 employees and the staff cost amounted to HK\$0.8 million. Staff remuneration packages are reviewed annually. The Group does not maintain a share option scheme.

OUTLOOK

The Group is in the process of applying relevant PRC government approvals for acquiring 80% shares in Shanghai Daoqin Hospital Investment Management Company Limited. If the approvals can be obtained in the second half year of 2005, the Group will receive management fee income from a hospital located in Heze, Shangdong Province, the PRC.

In respect of the property located in Jinan, the Group will let out the property to new tenants to receive rental income.

The directors have been actively participating in the operations of Dongtai and Risesun. Plans for increasing the productivity of Dongtai and resuming the production of Risesun have been discussed with the major shareholders of the two manufacturing plants. The directors believe that solutions could be reached with the major shareholders of the two manufacturing plants to resolve the existing problems.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2005, 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 Issuers.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30 June 2005, 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 :

Names	Capacity	No. of ordinary shares	% in total issued shares
(i) Mr. Shen Song Ning	Through controlling corporation (ii)	87,800,000	24.99
(ii) Max Team Investments Limited	Through controlling corporation (iii)	87,800,000	24.99
(iii) Honourable International Holdings Limited	Beneficial owner	87,800,000	24.99
(iv) Mr. Christian Emil Toggenburger	Beneficial owner	60,164,000	17.12

All the interests stated above represented long positions in the shares of the Company as at 30 June 2005, there were no short positions recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

During the period ended 30 June 2005, the Company has complied with the code provisions set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the followings :

- (i) Code provision A.2.1 : The role of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Li Guanghao has currently taken up both the roles of chairman and chief executive officer in view of the existing Group structure and business operation. The directors will consider separating the roles to match with business expansion in future if appropriate.

- (ii) Code provision A.4.1 : Non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors 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 of the code provision.

During the period ended 30 June 2005, the Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiries with all directors. All directors have confirmed that they have complied with the required standard set out in the Model Code.

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 2005 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 of directors
Beauforte Investors Corporation Limited
Li Guanghao
Chairman

Hong Kong, 29 September 2005

As at the date of this report, the directors of the Company are as follows:

Executive directors	Mr. Li Guanghao, Mr. Chen Baodong and Mr. Li Zhaohui
Independent non-executive directors	Ms. Lou Aidong, Mr. Wang Ligui and Mr. Lu Wennian