

GOLD-FACE HOLDINGS LIMITED

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GOLD-FACE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

TERM LOAN FACILITY OF UP TO HK\$50,000,000

OPTION DEED IN RESPECT OF 55% OF THE ISSUED SHARE

CAPITAL OF THE COMPANY

AND

WHITEWASH WAIVER

The Company and Silver Earth Limited, a wholly-owned subsidiary of the Company, and Profit International Enterprise Limited (which is owned as to 80% by Karl Thomson Holdings Limited, and the remaining 20% interest is owned by Monetary Success Investments Limited which in turn is wholly owned by Mr. Li Wing Sang) entered into a loan agreement relating to a term loan facility of up to HK\$50 million on 2 July 2003.

On 2 July 2003, the Company entered into an option deed with Profit International Enterprise Limited, whereby the Company agreed to grant to Profit International Enterprise Limited an option to subscribe for shares in the Company, representing 55% of the issued share capital of the Company (as enlarged by such subscription) at HK\$50 million.

As far as the board of directors is aware, Profit International Enterprise Limited, Karl Thomson Holdings Limited, Monetary Success Investments Limited, Mr. Li Wing Sang and the party(ies) acting in concert with them are independent of, not connected with, and not acting in concert with the Company, the directors, substantial shareholders and chief executives of the Company, its subsidiaries and their respective concert parties and associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

At the request of the Company, trading in the Company's shares was suspended from 9:30 a.m. on 19 May, 2003 and will remain suspended until further notice.

Reference is made to the announcement of the Company dated 3 June 2003 (the "**Announcement**"). Unless the context requires otherwise, terms defined in the Announcement shall have the same meanings in this announcement.

The Board is pleased to announce that, pursuant to the Proposal, the Company and Silver Earth Limited ("**Silver Earth**") respectively entered into an option deed ("**Option Deed**") and a loan agreement ("**Loan Agreement**") with Profit International Enterprise Limited (the "**Lender**") on 2 July 2003.

The Option Deed and the Loan Agreement are not inter-conditional.

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A THE LOAN AGREEMENT

- (i) Silver Earth, a wholly-owned subsidiary of the Company entered into the Loan Agreement with the Lender on 2 July 2003. As far as the Board is aware, the Lender is a 80% owned subsidiary of Karl Thomson Holdings Limited (“**Karl Thomson**”), the securities of which are currently listed on the Stock Exchange, and the remaining 20% interest is owned by Monetary Success Investments Limited (“**Monetary Success**”) which in turn is wholly owned by Mr. Li Wing Sang (“**Mr. Li**”).
- (ii) Pursuant to the Loan Agreement,
 - (a) the Lender will provide a term loan facility in the amount of up to HK\$50 million (“**Loan**”) at a simple interest rate of 2.5% per month to finance the Group’s property development projects (including without limitation, the Aegean (愛琴灣) project and the Villa Pinada project (茵翠豪庭));
 - (b) Silver Earth may during the period commencing from the date of the Loan Agreement and ending on the 14 months therefrom (“**Loan Availability Period**”), make one or more drawings of up to an aggregate principal amount of HK\$50 million;
 - (c) the Loan together with all the interest accrued therefrom shall be repaid after 16 months of the first drawdown (“**Repayment Date**”);
 - (d) an arranging fee of HK\$1,500,000 shall be payable by Silver Earth on the Repayment Date or the date falling on the expiry of the Loan Availability Period if no advance is made under the Loan Agreement;
 - (e) the drawdown is conditional upon the receipt by the Lender of duly executed (aa) corporate guarantee executed by the Company in favour of the Lender guaranteeing repayment of the indebtedness under the Loan Agreement; and (bb) such other securities and/or collaterals as the Lender and Silver Earth may mutually agree; and
 - (f) the drawdown under the Loan Agreement is not conditional upon the fulfilment of conditions precedent as stated in the Option Deed, but if the Option Deed does not become unconditional before 31 December 2003, the Lender has the right to declare the Loan and interest accrued therefrom to be immediately payable.

As the Lender needs more time to continue its due-diligence investigation on the Company, the types of security and/or collaterals are yet to be agreed. The Loan Agreement contains no long-stop date for the fulfilment of the conditions precedent and the due-diligence review by the Lender is not one of the conditions precedent under the Loan Agreement. If the parties cannot agree on the types of security and/or collaterals before the expiry of the Loan Availability Period, Silver Earth cannot make any drawing under the Loan Agreement. The Board considers that the Company should be able to provide adequate collateral and/or security as may be requested by the Lender. Further announcement will be made when the types of security and/or collaterals are agreed.

The Loan will be used to finance the Group’s property development projects in general and the actual use of the Loan will be subject to further discussion with the creditors and/or the Receivers.

The Company will obtain prior approval from the creditors and/or the Receivers before it re-commences the construction works in the Aegean project (愛琴灣) and the Villa Pinada project (茵翠豪庭). Subject to further discussion and agreement with the creditors and/or the Receivers, the Company will appoint independent contractor(s) to estimate the construction cost before it commences the construction works.

Should the Company require further financing to fund its property development projects, the Board intends to negotiate with the Lender and/or other investors to provide the additional funds. The Loan Agreement does not contain any provision restricting Silver Earth to obtain further finance from other parties. As at the date of this announcement, other than the Loan Agreement, there is no other financing arrangement with the Lender or any other third party.

As far as the Board is aware, the Lender, Karl Thomson, Monetary Success, Mr. Li and the party(ies) acting in concert with them are independent of, not connected with, and not acting in concert with the Company, the directors, substantial shareholders and chief executives of the Company, its subsidiaries and their respective concert parties and associates (as defined in the Listing Rules). The loan arrangement does not require shareholders’ approval under the Listing Rules.

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B THE OPTION DEED

- (i) The Company entered into the Option Deed with the Lender on 2 July 2003.
- (ii) Pursuant to the Option Deed,
 - (a) the Company will grant the Lender an option (the “**Option**”) to subscribe new shares (“**Option Shares**”) in the Company, representing 55% of the share capital of the Company (as enlarged by such subscription);
 - (b) the Option is exercisable at any time on more than one occasion during the Option Period (as defined below) at HK\$909,091 (“**Option Price**”) for every 1% of the issued share capital of the Company as at the relevant completion date (as enlarged by the issue of the relevant Shares). The Option Price shall be satisfied, at the option of the Lender, in cash or by the Lender assigning to the Company such part of the Loan equal to the relevant Option Price;
 - (c) the Option shall be exercisable in part or in whole (provided that the number of shares in the Company (“**Shares**”) in respect of each exercise shall be at least 1% of the issued share capital of the Company (as enlarged by the issue of shares pursuant to such Subscription)) within 30 months from the date on which the Option Deed becomes unconditional which, if a capital reorganisation is required to be effected before the allotment of the shares can be effected pursuant to the Option Deed, be extended by the number of days required to effect such capital reorganisation provided that such extension shall not exceed 30 months (“**Option Period**”);
 - (d) the Option shall remain valid notwithstanding that the Loan Agreement does not become unconditional or is subsequently terminated or the Loan thereunder is not drawn;
 - (e) if upon the relevant completion, the number of Shares held by the Lender shall represent 30% or more of the issued share capital of the Company, the Company shall procure the appointment of such persons nominated by the Lender as directors of the Company such that the new appointees shall constitute a majority of the Board; and
 - (f) the Company shall not, until the full exercise of the Option, issue any securities convertible into Shares without the prior written consent of the Lender.
- (iii) Based on 940,009,918 Shares in issue as at the date of this announcement, the price per each Option Share is approximately HK\$0.04. The Option Price represents a discount of approximately 92.59 % to the closing price per Share of HK\$0.54 as quoted on the Stock Exchange on 16 May 2003 prior to the suspension and represents a discount of approximately 95.46 % to the net asset value per Shares of HK\$0.88 as stated in the last published audited accounts. The consideration was determined on arm’s length basis after lengthy negotiation. Given the financial difficulties and the cash flow problem of the Company, the Board is of the view that the Loan Agreement together with the Option Deed offer the Company an opportunity to finance its property development projects and in light of the financial difficulties of the Company, the terms of the Loan Agreement is fair and reasonable.
- (iv) The Option Deed is conditional upon, among others,
 - (a) the approval of the independent shareholders of the Company by way of poll in a general meeting (with the controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) and parties acting in concert with them abstaining from voting, if any) approving the grant of a waiver by the Executive Director (“**Executive**”) of the Corporate Finance Division of the Securities and Futures Commission (“**SFC**”) pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (“**Takeovers Code**”) exempting the Lender and parties acting in concert with it from the obligations to make a general offer for all the issued shares in the capital of the Company not already owned by the Lender and parties acting in concert with it as a result of the issue of shares pursuant to the exercise of the Option (“**Whitewash Waiver**”);
 - (b) the Listing Committee of the Stock Exchange agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Option Shares;
 - (c) all requisite consents or confirmations of no objection by (if necessary) or filings with, any governmental or competent authorities or any third parties (including without limitation the Bermuda Monetary Authority) in connection with the transactions contemplated thereunder having been obtained;

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- (d) the Executive granting to the Lender and parties acting in concert with it (if any) the Whitewash Waiver; and
- (e) the resumption of trading of the Shares on the Stock Exchange.

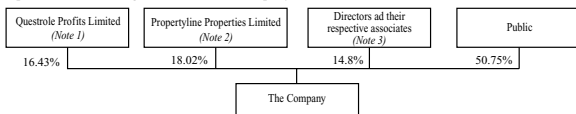
The Lender may, at its absolute discretion, waive the condition(s) set out in (iv) (a) (to the extent it relates to the Whitewash Waiver) and/or (iv) (d) at any time by notice in writing to the Company. In the event that all the conditions are not fulfilled or waived (in respect of condition(s) (iv) (a) (to the extent it relates to the Whitewash Waiver) and/or (iv) (d)) by 5:00 p.m. (Hong Kong time) on 31 December 2003 (or such other date as may be agreed by the parties to the Option Deed), the Option Deed shall be of no further effect.

C. CHANGE IN SHAREHOLDING IN THE COMPANY

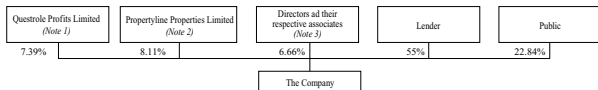
As far as the Board is aware, the Lender, Karl Thomson, Monetary Success, Mr. Li and party(ies) acting in concert with them are independent of, not connected with, and not acting in concert with the Company, the directors, substantial shareholders and chief executives of the Company, its subsidiaries and their respective concert parties and associates (as defined in the Listing Rules).

As far as the Board is aware, the Lender will apply to the SFC for the Whitewash Waiver of its obligations under the Takeovers Code to make a mandatory general offer for all the Shares other than those already held by the Lender together with parties acting in concert with it (if any).

1. The present shareholding structure of the Company



2. The shareholding structure of the Company immediately after the full exercise of the Option



Note 1 Questrole Profits Limited, a company incorporated in the British Virgin Islands, is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and the spouse of Madam Tai Seow Yoke Peng and their respective family members.

Note 2 Propertyline Properties Limited, a company incorporated in the British Virgin Islands, is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and his family members.

Note 3 Those shares are held by the Directors and their respective associates (excluding those interests of Questrole Profits Limited and Propertyline Properties Limited), as to 106,560,000 by Oodless Investment Limited, a company incorporated in Hong Kong and is beneficially owned by the spouse of Madam Tai Seow Yoke Peng, 27,586,000 shares by Mr. Tai Chi Wah, 1,690,000 shares by the spouse of Madam Tai Seow Yoke Peng, 1,490,000 shares by Madam Tai Seow Yoke Peng, 1,518,000 shares by Mr. Tai Kuen, 120,000 shares by Mr. Poon Chi Fai and 120,000 shares by Mr. Wan Tai Min, Tommy.

The public will hold approximately 22.84% of the then issued share capital of the Company upon completion of the exercise of the Option in full. Appropriate steps will be taken to ensure that sufficient public float as required under the Listing Rules will be restored as soon as practicable following the full exercise of the Option.

The Stock Exchange has stated that if less than 25% of the Shares are in public hands following the completion of the exercise of the Option in full or if the Stock Exchange believes that :-

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,
- it will consider exercising a discretion to suspend trading in the Shares.**

As far as the Board is aware, (i) the Lender does not have any intention as to when to exercise the Option (in whole or in part) but it will be done only when the Lender considers that such exercise would be of value to Karl Thomson and its subsidiaries ("Karl Thomson Group") and the timing of exercising the Option depends on the market condition and the progress of the Company in resolving its current financial difficulties; and (ii) if the Company becomes a subsidiary of Karl Thomson Group, Karl Thomson Group will maintain the listing status and principal business of the Group.

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The Company does not hold any shares in Karl Thomson and has not dealt in the shares of Karl Thomson since the commencement of the negotiation of the Proposal on 23 May 2003.

D. GENERAL

In connection with the Whitewash Waiver, an independent board committee of the Company will be formed to advise the shareholders of the Company and an independent financial adviser will be appointed to advise the independent board committee. A circular of the Company containing, among other things, further details of the Option Deed together with the recommendation from the independent board committee of the Company, the advice from the independent financial adviser and a notice convening the special general meeting will be despatched to the shareholders of the Company as soon as practicable in compliance with the requirements of the Takeovers Code within 21 days from the date of this announcement.

Further announcement will be made after the appointment of the independent financial adviser.

The Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has indicated that it has the discretion to require the Company to issue a document to its shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant.

E. OTHER MATTERS

The Board also announces that:-

1. as far as the Board is aware, the construction works of the Aegean project (愛琴灣) and the Villa Pinada project (茵翠豪庭) have not been resumed. The Board will commence negotiation with the creditors and the Receivers with a view to applying the Loan and completing the property development projects as soon as practicable;
2. the Board also noticed recent press articles regarding the claim from Mr. Lau Wong Fat and the provision of HK\$80 million by four banks for completion of the Villa Pinada project (茵翠豪庭). The Board has not been able to verify the accuracy of the press articles as the Company is not the party involved in the proceedings and/or the discussion concerned. As far as the Board is aware, Mr. Lau has not issued any writ against the Company;
3. the Group is still in the process of finalizing its appointment of the international independent accounting firm regarding an independent audit on the use of proceeds in respect of the Villa Pinada (茵翠豪庭) and the Aegean (愛琴灣) projects. The Company will finalise the appointment once its cash flow is improved. Further announcement will be made when the engagement is made; and
4. the Board also noticed that Bank of China has issued writs against Mr. Tai Kuen on 28 June 2003 for approximately of HK\$261 million together with interest and Mr. Tai Chi Wah on 24 May 2003 for approximately of HK\$261 million together with interest, two of the executive directors of the Company, in respect of their personal guarantees for loans to True Gold Investments Limited, a wholly-owned subsidiary of the Company. Mr. Tai Kuen and Mr. Tai Chi Wah have confirmed to the Board that no further action has been taken by Bank of China since the issue of the writs. As the Company currently has 5 directors (including one independent non-executive director), the Board does not anticipate any material adverse impact on the Company's management and operations as a result of the writs against Messrs. Tai;
5. no director has resigned from the Board apart from Mr. Wong Po Lung, John and Mr. Liu Chun Ning, Wilfred as stated in the announcement dated 21 May 2003 and the Board will appoint one more independent non-executive director of the Company as soon as practicable;
6. the Board also confirmed that Canadian Eastern Finance Limited has issued writ against Braemar Associates Limited (as borrower), a wholly-owned subsidiary of the Company, and the Company (as guarantor) on 5 July 2003 for moneys and interest due under the mortgage dated 9 July 2002 and the guarantee and indemnity dated 9 July 2002 respectively and possession of certain units and car parking spaces; and
7. the Board is aware that the Company is required under the Listing Rule to publish the preliminary results not later than 4 months after the date upon which the financial period ended (i.e. 31 July 2003). Further announcement in respect of the Company's preliminary results will be made in due course.

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At the request of the Company, trading in the Company's shares was suspended from 9:30 am on 19 May, 2003 and will remain suspended until further notice.

By Order of the Board of
GOLD-FACE HOLDINGS LIMITED
Poon Chi Fai
Managing Director

Hong Kong, 11 July, 2003

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Please also refer to the published version of this announcement in The Standard dated on 14-07-2003.