



## GOLD-FACE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

### (i) LOAN OF HK\$3,000,000 AND POSSIBLE ISSUE OF CONVERTIBLE NOTE

AND

### (ii) TERMINATION OF THE OPTION DEED DATED 2 JULY 2003

On 5 February 2004, the Company entered into a loan agreement with Fully Finance, a wholly-owned subsidiary of Wang On, for a loan of HK\$3,000,000 and as the condition precedent to the drawdown, the Company is required to grant to Fully Finance an option to subscribe a convertible note in the principal amount of HK\$3,000,000.

The Expired Option Deed with Profit International dated 2 July 2003 has ceased to have any effect.

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

#### A. THE LOAN AGREEMENT

The Company entered into a loan agreement (“**Loan Agreement**”) with Fully Finance Limited (“**Fully Finance**”) on 5 February 2004. As far as the board of the directors (“**Board**”) is aware, Fully Finance is wholly owned by Wang On Group Limited (“**Wang On**”), the securities of which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Loan Agreement does not contain any provision regarding collateral and there is no restriction restricting the Company to obtain further finance from other parties.

Pursuant to the Loan Agreement, subject to the terms and conditions contained therein, Fully Finance will provide the Company a loan in the principal amount of HK\$3,000,000 (the “**Loan**”) on a lump sum basis at an interest rate of 5% per annum. The Loan Agreement contains no long stop date for the fulfilment of the condition and no triggering event of early repayment of the Loan.

The Company shall repay the principal amount of the Loan outstanding together with accrued interest thereon on the earlier of :

- (i) 5 August 2004, if the Option (as defined below) does not become unconditional; and
- (ii) the date falling 18 months from the date of the Loan Agreement i.e. 5 August 2005,

The Loan will be used as general working capital of the Company and its subsidiaries.

As far as the Board is aware, Fully Finance, Wang On 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 (“**Listing Rules**”). The loan arrangement does not require shareholders’ approval under the Listing Rules.

#### B. THE OPTION

As the condition to the drawdown of the Loan, the Company is required to grant to Fully Finance an option (“**Option**”) to subscribe, within 30 days from the date on which it has been notified by the Company that the conditions of the Option as mentioned below having been fulfilled, a convertible note to be exercised on one occasion in a principal amount of HK\$3,000,000 (“**Note**”) with, among others, the following major terms:—

Conversion Price : HK\$ 0.10 per share in the Company (“**Share**”), subject to adjustment

Conversion Period : the rights attaching to the Note may be exercised at any time during the period of 18 months from the date on which the Note is issued to Fully Finance (“**Issue Date**”)

Interest Rate : 5% per annum

Maturity Date : the date falling on the last day of a period of 18 months from the Issue Date

Based on the conversion price of HK\$0.10 per Share (the “**Conversion Price**”), 30,000,000 Shares will be issued upon full conversion of the rights attaching to the Note. Fully Finance will be entitled to set off the subscription price payable for the Note against the indebtedness under the Loan Agreement.

The Option is conditional upon (i) if required, the passing of the necessary resolutions of the shareholders of the Company to approve the issue of the Note and the Shares to be issued pursuant to the exercise of the conversion rights of the Note (the “**Conversion Shares**”); and (ii) the Stock Exchange granting approval of the listing of, and permission to deal in, the Conversion Shares and in the event that such conditions are not fulfilled by 4:00 p.m. (Hong Kong time) on 5 August 2004 (or such other date as may be agreed by the parties), the Option shall lapse and of no further effect. None of the conditions mentioned above can be waived.

No approval or consent from the Bermuda Monetary Authority is required for the grant of Option and the issue of the Conversion Shares.

An extraordinary meeting to obtain a general mandate to issue Shares and/or the issue of Shares pursuant to the Note will be convened in due course. Further announcement regarding the extraordinary general meeting will be made.

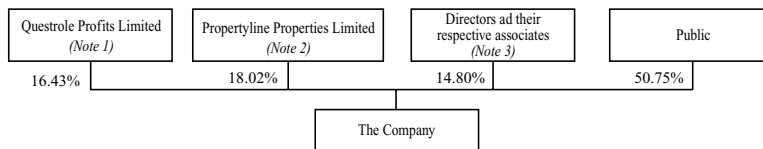
The Conversion Price represents a discount of approximately 81 % to the closing price per Share of HK\$0.54 as quoted on the Stock Exchange on 16 May 2003 prior to the suspension and represents a discount of approximately 89 % to the net asset value per Shares of HK\$0.88 based on the audited consolidated accounts of the Company for the financial year ended 31 March 2002. The Conversion Price 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 terms of the loan arrangement are fair and reasonable.

## C. CHANGE IN SHAREHOLDING IN THE COMPANY

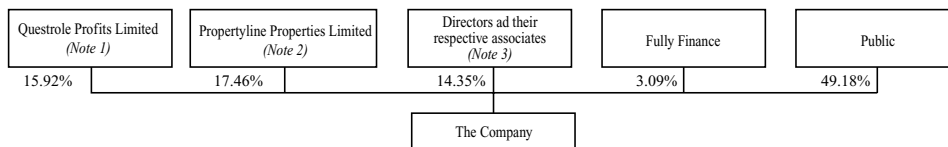
As far as the Board is aware, Fully Finance, Wang On and party(ies) acting in concert with them are independent of, not connected with, and not acting in concert with the Company, the directors, substantial shareholders and chief executives of the Company, its subsidiaries and their respective concert parties and associates (as defined in the Listing Rules).

Based on 940,009,918 Shares in issue as at the date of this announcement and the Conversion Price of HK\$0.10 per Share, Fully Finance will hold 30,000,000 Shares representing approximately 3.19% of the issued share capital of the Company as at the date of this announcement and approximately 3.09% of the enlarged share capital of the Company immediately after the full exercise of the Note. The change in shareholding structure of the Company is illustrated below:

### 1. The present shareholding structure of the Company



### 2. The shareholding structure of the Company immediately after the full conversion of the Note



*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 and 120,000 shares by Mr. Wan Tai Min, Tommy.

## D. OPTION DEED AND LOAN AGREEMENT DATED 2 JULY 2003

Reference is made to the announcement of the Company dated 11 July 2003.

The long stop date of 31 December 2003 of the option deed dated 2 July 2003 (“**Expired Option Deed**”) between the Company and Profit International Enterprise Limited (“**Profit International**”) has passed and the Expired Option Deed has ceased to have any effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Expired Option Deed.

As the Expired Option Deed and the loan agreement dated 2 July 2003 between Silver Earth Limited (“**Silver Earth**”) and Profit International (“**Original Loan Agreement**”) are not inter-conditional, subject to the fulfillment of the conditions precedent contained therein, Silver Earth can make drawings up to an aggregate principal amount of HK\$50 million under the Original Loan Agreement in accordance with the terms therein contained. As at the date of this announcement, none of the conditions precedent to the Original Loan Agreement has been fulfilled and no drawing has been made.

**E. GENERAL**

The Board also announces that:–

1. the receivers have not informed the Company the progress of the construction works of The Aegean project (愛琴灣) and the Villa Pinada project (茵翠豪庭) (the “**Projects**”);
2. as announced on 14 July 2003, the Board noticed that Bank of China has issued writs against Mr. Tai Kuen and Mr. Tai Chi Wah in respect of their personal guarantees for loans to True Gold Investments Limited. As the Company is not the party involved in the proceedings and Mr. Tai Kuen and Mr. Tai Chi Wah have resigned as the executive directors, the Company is not in a position to confirm the status of such proceedings;
3. an independent accounting firm has been appointed in December 2003 to conduct an independent review on the use of proceeds in respect of the Projects. The firm is in the process of obtaining copies of certain documents from the Commercial Crime Bureau for the independent review ;
4. further to the announcement of 11 July 2003, Canadian Eastern Finance Limited has discontinued its action against the Company and Braemar Associates Limited, a wholly-owned subsidiary of the Company; and
5. as far as the Company is aware, no new writ against the Company has been issued since 24 December 2003.

The Company is yet to demonstrate its compliance of paragraph 38 of the Listing Agreement that requires the Company to carry out a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the Shares.

At the request of the Company, trading in the 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**  
**Tai Seow Yoke Peng**  
*Director*

Hong Kong, 11 February 2004

Please also refer to the published version of this announcement in China Daily dated 12 February 2004.