

Business review

The Group recorded a net loss of HKD44,192,000 for the six months ended 30th September, 2000. The turnover was only HKD61,145,000, because during the same period last year, flats at Casa De Oro were marketed.

During the period under review, the government resumed from the Group 111,800 sq.ft. of agricultural land at DD104, Yuen Long for road and drainage purposes. The gazetted land resumption ex-gratia rate offered at \$155.50 per sq.ft. represented a book loss of HKD15 million which has been provided for in the interim financial statements. However, subsequent vehicular access and improved drainage to the site would greatly enhance the land value and development potential of the Group's aforesaid remaining land holding of 800,000 sq.ft. which have been programmed for development in the year 2001.

Property development

The recent change in government housing policy also gave a boost to the property market. Against this backdrop, the Group's two residential projects at Chung Shan and Tsing Fat Street, both in Tuen Mun, are now under construction. Sales are planned for 2001.

In London, England, demolition of the remaining building at 37/38 Gerrard St. was completed. The new six-storey commercial residential building in the heart of Chinatown, is scheduled for completion in early 2002. Conservatively, annual rental income is expected to be approximately HK\$10 million during the initial period.

Property investment

The Group's income from investment properties continues to be stable, at HK\$20,274,000 for the six months period. This represents 33% of the turnover.

Business prospect

The local economy has substantially improved, due to China's imminent entry to the World Trade Organization, and with the commencement of major projects such as Cyberport, Hong Kong Science Park, Disneyland etc.

GOLD-FACE HOLDINGS LIMITED

At one stage, the property market lacked direction. This was addressed by the major government policy change announcement at the end of the first half of 2000. Confidence in the property market returned.

Prices of mass residential property market will not be easing upwards significantly for the rest of 2000, because of the large supply. However, the Group has the distinct advantage of expertise in New Territories land development, which has kept land acquisition cost down.

Luxury property prices were not seriously affected by the sentiment in the mass residential property market. In fact, average prices for luxury residential property rose by more than 3% in the first six months of 2000.

The outlook of the luxury property market in Hong Kong remains bright. Although the Bowen Road project is only scheduled for completion in the summer of 2001, it will be marketed at the right moment.

The Group's stock of car park and shop units are continued being marketed.

The two residential projects in Tuen Mun are targeted for public sale after March 2001. The Board is optimistic that profits will be recorded with sales of the Tuen Mun projects.

The independent shareholders of both the Company and Golden Land Investments Plc have voted in November 2000 in favour of the proposed group restructuring. Upon approval by the High Court in England, which is expected to be in January 2001, the Group's interest in U.K. properties and China projects will be increased from 75% to 100%. The Board is optimistic that the Group will benefit from an increased interest in the bullish London property market and redevelopment of the Gerrard Street property.

Although the overall property sentiment in Hong Kong shown sign of improvement, the Board will closely monitor the existing operation and look for other investment opportunities.

Capital and finance

The aggregate bank borrowings amounts to HK\$965,753,000 as at 30th September, 2000 (at 31st March, 2000: HK\$959,450,000). The majority of bank borrowings is denominated in the currencies for which the assets were financed. The related interest were borne at floating rates. The bank borrowings were secured by assets of the Group and were mainly applied to finance new land acquisitions and development of sites.

During the period under review, the Group has made a placement of 65 million shares raising approximately HK\$84 million. An issue of 3% convertible debenture due 31st December, 2003 also raised US\$11 million. The proceeds have been used as general working capital for the Group. During the period under review, a total of US\$2 million of convertible debentures were converted into shares. Due to the issue of convertible debenture, the gearing ratio, being calculated as ratio of non-current liabilities to shareholders' funds, increased from 0.63 as at 31st March, 2000 to 0.83 as at 30th September, 2000.

As at 30th September, 2000, the net asset value of the Group is HK\$857,725,000 representing approximately HK\$0.94 per share.

The Board believes that the Group will continue to obtain the support of current banks and that it will have sufficient funding for its operational requirements.