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KARL THOMSON HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Discloseable transaction involving issue of new Shares

- On 18th May, 2001, a subsidiary of the Company as a Purchaser entered into a sale and purchase agreement (the "Agreement") pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to dispose of its interest in the entire issued share capital of Luckysurf International for a total consideration of HK\$60 million.
- The consideration will be settled by issuance and allotment of the Consideration Shares at HK\$3 each.
- The Acquisition constitutes a discloseable transaction involving issue of new Shares of the Company under the Listing Rules. A circular containing further details of the Agreement will be despatched to Shareholders.
- Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 10:00 a.m. on 21st May, 2001 pending release of this announcement. Application has been submitted to the Stock Exchange for resumption of trading in Shares with effect from 10:00 a.m. on 22nd May, 2001.

THE AGREEMENT

Parties to the Agreement:

Purchaser: Karl Thomson (B.V.I.) Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands on 27th March, 2000.

Vendor: Merdeka Enterprises Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Ng.

Warrantor: Mr. Ng, the sole beneficial owner of the Vendor, warrants the due performance of the Vendor. The Warrantor is an Independent Third Party who has no previous shareholding in the Company.

Asset being acquired

The Purchaser has agreed to acquire the Sale Shares, being the entire issued share capital of Luckysurf International, an Independent Third Party. The only major asset of Luckysurf International is the holding of 500 issued shares of Luckysurf Asia, representing approximately 57.1% of the issued share capital of Luckysurf Asia. The remaining 42.9% is owned by Independent Third Parties.

Consideration

The consideration for the Acquisition is HK\$60 million, which will be satisfied by the Company issuing and allotting to the Vendor 20,000,000 new Shares at HK\$3 each upon Completion. The Consideration Shares will be issued pursuant to the general mandate granted to the Directors as stated in the Prospectus.

The consideration represents a premium of approximately 515% over the net asset value of Luckysurf International. The issue price of HK\$3 represents a discount of approximately 9.1% to the closing price per Share as quoted on the Stock Exchange on 18th May, 2001 of HK\$3.3. The issue price also represents a discount of 8.8% to the average of the closing prices per Share for the ten trading days ended on 18th May, 2001 of HK\$3.29. The Consideration Shares represent approximately 9.5% of the existing Shares in issue and approximately 8.7% of the issued Shares as enlarged by the issue of the Consideration Shares.

Conditions

The Completion of the Agreement is subject to the following conditions:

- (i) the Stock Exchange approving the listing of, and permission to deal in, the Consideration Shares;
- (ii) approval, if necessary, of the Agreement and the transactions contemplated therein by all relevant regulatory authorities; and
- (iii) any rights arising under any shareholders agreements (if any) of Luckysurf International Group as a result of the transfer of the Sale Shares being waived by the relevant parties to the relevant shareholders agreements.

If the conditions are not fulfilled or waived in writing by the Purchaser within one month of the execution of the Agreement or such later date as may be agreed between the Vendor and the Purchaser, the Agreement shall terminate and none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Agreement). Completion will take place on the fifth business day after the date on which all conditions precedents are fulfilled or waived as the case may be.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

INFORMATION ON LUCKYSURF INTERNATIONAL

Luckysurf International is an investment holding company. Through its 57.1% owned subsidiary Luckysurf Asia, Luckysurf International Group is principally engaged in developing and operating a free interactive site "www.luckysurf.com", based on the framework of Luckysurf.com. Luckysurf Asia has obtained the exclusive right from Luckysurf to operate the Web Site using the business strategies and trademarks of Luckysurf for Asia pursuant to the Exclusivity Agreement. Further particulars of the Exclusivity Agreement are set out below.

Launched in September 1999, Luckysurf.com provides an efficient advertising distribution platform that can quickly leverage targeted promotions to specific audiences. The business model has been proved successful as Luckysurf reached breakeven in July 2000, less than one year after its launch. In August 2000, Luckysurf.com recorded approximately 10 million visitors per month according to PC DataOnline and was ranked 14th by PC DataOnline based on the number of visitors.

Based on the successful business model of Luckysurf.com, Luckysurf Asia seeks to establish itself as one of the leading distribution platforms for online advertising and to benefit from the huge amount of advertising dollars that will gradually shift from traditional media to online media. Luckysurf Asia generates its revenue primarily from advertising, sponsorship and partnerships. Luckysurf Asia also generates revenue through alliances and infrastructural opportunities including accumulating electronic commerce referral fees and direct marketing expertise from the collection of rich demographic data.

Results of Luckysurf International

Luckysurf International was incorporated on 11th July, 2000. No audited account has been issued since incorporation. The unaudited consolidated net asset value of Luckysurf International as at 17th May, 2001 was approximately HK\$9.76 million. The respective unaudited consolidated net loss for the period since its incorporation to 31st March, 2001 was approximately HK\$2.5 million and the succeeding period ended 17th May, 2001 was approximately HK\$0.5 million. Luckysurf International recorded revenue of approximately HK\$0.50 million and HK\$0.03 million during the same periods respectively.

Exclusivity Agreement

Pursuant to the Exclusivity Agreement, Luckysurf Asia has the sole and exclusive right in the Operation Region to develop and operate the Web Site in the similar nature to the Luckysurf.com and the license and right to use the business strategies and trademarks of Luckysurf. In return, Luckysurf Asia is to pay Luckysurf an inception fee of US\$1 million and a monthly payment, which is calculated based on a pre-determined number of visitors plus actual number of visitors to the Web Site every month during the relevant year from Year 1 to Year 5 during the term of the Exclusivity Agreement. From the 6th year onward, Luckysurf Asia is to pay Luckysurf a monthly payment based on the actual number of visitors for as long as the Exclusivity Agreement remains in force.

In the event that Luckysurf Asia fails to achieve the pre-determined number of visitors at the end of any of the first five years, Luckysurf is entitled to terminate the exclusivity upon serving a written notice to Luckysurf Asia. After the termination notice is served, Luckysurf Asia has the option either to cease the operation of the Web Site or to acquire the exclusive right of one or more of the countries or regions within the Operation Region at a consideration based on a pre-determined formula as set out in the Exclusivity Agreement. After acquiring the exclusive right, Luckysurf Asia is only obliged to pay Luckysurf a monthly payment based on the actual number of visitors for as long as the Exclusivity Agreement remains in force.

BASIS OF THE CONSIDERATION

The consideration is determined after arms length negotiations between both parties and has taken into account, among other things, the estimated number of visitors to the Web Site and the gross advertising revenue per visitor estimated to be generated by Luckysurf Asia, the cost for Luckysurf to host and maintain the Web Site at Luckysurf's computer servers, technical assistance and the unlimited usage of the trademark, the business strategies and technology during the term of the Exclusivity Agreement.

In addition, as the consideration of the Acquisition will be satisfied entirely by the issue of the Consideration Shares, the Board considers that it is in the interest of the Company to invest in an attractive investment without involving any capital outlay.

In view of the above, the Board considers that the terms of the Agreement is fair and reasonable and is in the interest of the Shareholders and the Company as a whole.

INFORMATION ON THE COMPANY

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of stock broking, futures and options broking and securities margin financing services. The Group specializes in the retail market and has an extensive retail customer base.

REASONS FOR THE ACQUISITION

As stated in the Prospectus, the Board believes that online securities will gain popularity and will be an important aspect for the future development of the local securities market. The Company has sought for and planned to introduce an online trading platform. The Directors also consider to provide other value added financial services, including but not limited to free financial information to increase its competitive edge within the industry and to extend its clientele mainly in Hong Kong and the PRC, as well as to other regions in Asia. To achieve this goal, the Group is building its own marketing and distribution channels to market its services to potential clients within the Operation Region who may be interested in trading Hong Kong securities.

The Board believes that the Web Site could enhance its presence in the Operation Region especially in Hong Kong and the PRC. With the powerful data collection capability of Luckysurf Asia and further data mining and warehousing of the information collected, the Company will be better positioned to strengthen its knowledge of the potential clients within the Operation Region and to channel its financial services to the targeted clients more effectively.

TRADING IN THE SECURITIES OF THE COMPANY

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 10:00 a.m. on 21st May, 2001 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 10:00 a.m. on 22nd May, 2001.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company pursuant to the Listing Rules. A circular containing details of the Acquisition will be despatched to Shareholders as soon as practicable.

TERMS USED IN THIS ANNOUNCEMENT

"Acquisition"	the proposed acquisition of the entire issued share capital of Luckysurf International pursuant to the Agreement
"Agreement"	the sale and purchase agreement dated 18th May, 2001 entered into between the Purchaser, the Vendor and the Warrantor relating to the Acquisition of the entire issued share capital of Luckysurf International
"Board"	the board of Directors
"Company"	Karl Thomson Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
"Completion"	completion of the Agreement
"Consideration Shares"	20,000,000 new Shares to be issued to the Vendor pursuant to the Agreement
"Director(s)"	the directors of the Company
"Exclusivity Agreement"	the agreement between Luckysurf and Luckysurf Asia dated 23rd June, 2000
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) who are independent of and not connected to the directors, chief executives and substantial shareholders of the Company or any of its subsidiaries or the associates of any of them
"Listing Rules"	the Rules governing the Listing of Securities on the Stock Exchange
"Luckysurf"	Luckysurf.com Inc., a Delaware company
"Luckysurf.com"	the internet site operated by Luckysurf and is known as and located at www.luckysurf.com
"Luckysurf International"	Luckysurf International Limited, a company incorporated in the British Virgin Islands with limited liability on 11th July, 2000 and is beneficially and wholly owned by the Vendor
"Luckysurf International Group"	Luckysurf International and its subsidiaries
"Luckysurf Asia"	Luckysurf Asia.com Inc., a company incorporated in the British Virgin Islands with limited liability on 13th December, 2000 and is 57.1% owned by Luckysurf International
"Mr. Ng"	Mr. Tommy Ng Fuk Hing
"Operation Region"	the countries and regions as stipulated under the Exclusivity Agreement namely the PRC, Hong Kong, Macau, Taiwan, Malaysia, Singapore, Indonesia, Thailand, Vietnam, Cambodia, Laos, Philippines and South and North Korea
"PC DataOnline"	a company incorporated in the United States which provides clients with internet audience measurement
"Prospectus"	the prospectus of the Company dated 23rd August, 2000 relating to the listing of the Company on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Karl Thomson (B.V.I.) Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands on 27th March, 2000
"Sale Shares"	10 issued shares in Luckysurf International, being its entire issued shares
"Share(s)"	existing share(s) of HK\$0.10 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Merdeka Enterprise Limited, a company incorporated in the British Virgin Islands with limited liability and is an Independent Third Party
"Web Site"	internet site known as and located at www.luckysurf.com

By order of the Board of
Karl Thomson Holdings Limited
NAM KWOK LUN
Deputy Chairman and Executive Director

Hong Kong, 21st May, 2001