



KARL THOMSON HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT

The Board announces that, on 31 May 2003, the Company has entered into a non-binding proposal with Gold-Face Holdings Limited whereby the Company has agreed, upon the fulfillment of the conditional precedents, to provide a HK\$50 million loan facility through the Subsidiary for completion of the Aegean project. The drawdown of the facility is conditional upon, among others, consent of the Receivers for the Aegean project to the resumption of construction works and the entering into the Option Agreement between the Company and Gold-Face pursuant to which the Company will be granted the Option to subscribe new shares in Gold-Face representing 55% of the share capital of Gold-Face as enlarged by such subscription for HK\$50 million.

The parties to the Proposal aim to enter into the Definitive Agreements in respect of the Proposal on or before 30 June 2003. **Shareholders and potential investors are advised that in any event the Proposal will be subject to all necessary conditions to be fulfilled and the execution of the Definitive Agreements, and therefore the Proposal may or may not proceed. Accordingly, they should exercise due caution in their dealings in the shares of the Company.**

At the request of the Company, trading in the shares of the Company was suspended with effect from 10:32 a.m. on 2 June 2003 pending release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 5 June 2003.

The Board announces that the Company has entered into the Proposal with Gold-Face on 31 May 2003. The Proposal is legally non-binding subject to the Definitive Agreements to be executed within the Exclusivity Period. Pursuant to the terms of the Proposal, the Company has agreed, upon the fulfillment of the conditions precedent to be agreed and provided in the Definitive Agreements, to provide the Loan for completion of the whole Aegean project with reference to Gold-Face's announcements dated 21 May 2003 and 26 May 2003. The Loan will be financed by the internal resources of the Company. The Loan is restricted to be used solely and exclusively for the construction and completion of the Aegean project. The Company has been advised by Gold-Face that the loan amount will be sufficient for financing the remaining construction costs of the Aegean project until its completion. A qualified surveyor will be appointed by Gold-Face to estimate the cost completing the remaining construction works of the Aegean project before entering into the Definitive Agreements.

Gold-Face is independent of and not connected with the Company, its directors, substantial shareholders and chief executives, its subsidiaries and their respective associates (as defined in the Listing Rules). As at the date of this announcement, the Company and its concert parties do not have any shareholding in Gold-Face. The Board confirms that the Company and parties acting in concert with it have not dealt in the shares of Gold-Face since the commencement of the negotiation of the Proposal on 23 May 2003.

Under the Proposal, the Subsidiary, which is to be incorporated within the Exclusivity Period, will provide the Loan for completion of the Aegean project. The drawdown of the Loan is conditional upon, among others to be agreed upon between the involved parties and upon execution of the Definitive Agreements within the Exclusivity Period, consent of the Receivers to the resumption of construction works for the Aegean project and the entering into the Option Agreement between the Company and Gold-Face pursuant to which Gold-Face will grant to the Company the Option to subscribe new shares in Gold-Face representing 55% of the share capital of Gold-Face as enlarged by such subscription for HK\$50 million. The Option shall be exercisable in part or in whole within 30 months from the grant of the Option. The Board is of the view that the proposed loan under the Proposal will contribute reasonable interest income to the Group and is in line with its ordinary money lending business.

Depending on the amount of the Option to be exercised, Gold-Face may or may not become a subsidiary of the Company. As of the date of this announcement, the Board confirms that only the Proposal has been signed and no other legally binding document has been executed apart from the signing of the Proposal. The legally binding Definitive Agreements shall be drafted and executed within the Exclusivity Period. Further announcement will be made by the Company upon the execution of the Definitive Agreements.

The Option Agreement will be conditional upon, among others, the approval of the independent shareholders of Gold-Face in a general meeting. In the event any of the conditions is not satisfied, the Loan shall be due and repayable immediately and the Option Agreement shall become void and of no further effect. The exercise of the Option will be subject to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to Note 1 to Notes on Dispensations from Rule 26 of the Code on Takeovers and Mergers granting exemption to the Company and parties acting in concert with it from the obligations to make a general offer for all the issued shares in the capital of Gold-Face not already owned by the Company and parties acting in concert with it as a result of the issue of shares pursuant to the exercise of the Option.

The parties to the Proposal aim to enter into Definitive Agreements in respect of the Proposal and the Option on or before 30 June 2003. Gold-Face has undertaken with the Company that during the Exclusivity Period, Gold-Face will not negotiate and/or enter into any arrangement or agreement with, or provide any information to any other third parties in respect of the transactions similar to those contemplated under the Proposal.

Shareholders and potential investors are advised that in any event the Proposal will be subject to all necessary conditions to be fulfilled and the execution of the Definitive Agreements, and therefore the Proposal, may or may not proceed. Accordingly, they should exercise due care in their dealings in the shares of the Company.

At the request of the Company, trading in the shares of the Company was suspended from 10:32 a.m. on 2 June 2003 pending release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company from 9:30 a.m. on 5 June 2003.

DEFINITIONS

"Aegean"	The residential development located at Tuen Mun Town Lot No. 424, Siu Lam, Tsing Fat Street, Tuen Mun, New Territories
"Definitive Agreements"	Legally binding agreements in respect of the Proposal to be entered into between the Subsidiary and Gold-Face, including but not limited to, a loan document, an option agreement and all other necessary supplemental agreements to be agreed
"Board"	The Board of Directors of the Company
"Company"	Karl Thomson Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited
"Exclusivity Period"	A period of 30 days after 31 May 2003 (i.e. 30 June 2003) that Gold-Face will not negotiate and/or enter into any arrangement or agreement with or provide any information to any other third parties in respect of any transactions similar to the Proposal
"Gold-Face"	Gold-Face Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on The Stock Exchange of Hong Kong Limited
"HK\$"	Lawful currency of the Hong Kong Special Administrative Region
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	The HK\$50 million loan facility at an interest rate of 2.5% per month provided by the Company to Gold-Face solely and exclusively for the construction and completion of the Aegean project
"Option"	The option to be granted by Gold-Face to the Company to subscribe new shares in Gold-Face representing 55% of the share capital of Gold-Face as enlarged by such subscription for HK\$50 million
"Option Agreement"	The option agreement to be entered between the Company and Gold-Face pursuant to which Gold-Face will grant to the Company the Option
"Proposal"	A non-binding proposal entered into by the Company and Gold-Face in relation to the Loan and the Option
"Receivers"	Yeo Boon Ann and Stephen Liu Yiu Keung, who were appointed by (i) Asia Commercial Bank Limited on 15 May 2003; (ii) Bank of China (Hong Kong) Limited (as agent for a syndicate of lenders) on 16 May 2003; and (iii) Liu Cheong Hing Bank Limited on 21 May 2003 in reference to Gold-Face announcement dated 21 May 2003
"Subsidiary"	A subsidiary of the Company, in which other interested third party investors may or may not involve before the execution of the Definitive Agreements, to be incorporated exclusively for the purpose of providing the Loan, in which the shareholding owned by the Company has yet to be confirmed

By order of the Board
Karl Thomson Holdings Limited
Lam Kwok Hing
 Chairman

Hong Kong, 3 June 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.