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KARL THOMSON HOLDINGS LIMITED

高信集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

INTERIM RESULTS

The Board of Directors (the “Board”) of Karl Thomson Holdings Limited (the “Company”) announced the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with the comparative figures for the six months ended 30 June 2011 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

		Six months ended 30 June	
		2012	2011
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3	9,800	17,432
Net exchange (loss) gain		(299)	868
Other income		2,067	833
Written back of allowance (allowance) for bad and doubtful debts		1,217	(1,147)
Depreciation		(213)	(207)
Finance costs		(835)	(1,262)
Staff costs		(6,644)	(7,071)
Other expenses		(8,548)	(14,964)
Impairment loss on exploration and evaluation assets	7	—	(13,800)
Share of (loss) profit of an associate		(12,743)	3,742
Loss before taxation		(16,198)	(15,576)
Taxation	4	—	—
Loss for the period		(16,198)	(15,576)
Other comprehensive income			
Exchange difference arising on translation		269	12,475
Share of other comprehensive income of an associate		23	1,478
Other comprehensive income for the period		292	13,953
Total comprehensive expense for the period		(15,906)	(1,623)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME –
continued**

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss for the period attributable to:		
Owners of the Company	(16,338)	(14,474)
Non-controlling interests	<u>140</u>	<u>(1,102)</u>
	<u>(16,198)</u>	<u>(15,576)</u>
 Total comprehensive expense for the period attributable to:		
Owners of the Company	(16,068)	(5,096)
Non-controlling interests	<u>162</u>	<u>3,473</u>
	<u>(15,906)</u>	<u>(1,623)</u>
 Loss per share – Basic	6	
	<u>HK(2.57) cents</u>	<u>HK(2.27) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

		30 June 2012	31 December 2011
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets		941	1,032
Trading rights		—	—
Exploration and evaluation assets	7	—	—
Interest in an associate	8	94,078	106,798
Statutory deposits		4,119	4,075
Loans receivable		672	771
		99,810	112,676
CURRENT ASSETS			
Accounts receivable	9	51,969	44,282
Loans receivable		337	342
Other receivables, prepayments and deposits		7,113	7,077
Tax recoverable		117	117
Pledged fixed deposits (general accounts)		7,524	7,517
Bank balances (trust and segregated accounts)		78,505	90,454
Bank balances (general accounts) and cash		11,625	16,478
		157,190	166,267
CURRENT LIABILITIES			
Accounts payable	10	91,663	94,979
Other payables and accrued expenses		8,634	12,466
Bank overdrafts		199	6,967
Amounts due to directors		26,336	27,457
		126,832	141,869
NET CURRENT ASSETS		30,358	24,398
NET ASSETS		130,168	137,074
CAPITAL AND RESERVES			
Share capital		63,684	63,684
Reserves		99,711	115,779
Equity attributable to owners of the Company		163,395	179,463
Non-controlling interests		(42,227)	(42,389)
TOTAL EQUITY		121,168	137,074
NON-CURRENT LIABILITY			
Loan from an associate		9,000	—
		130,168	137,074

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are the provision of financial services and oil and gas exploration and production. The financial services include stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products advising, securities margin financing and provision of corporate finance advisory services. The oil and gas exploration and production are developed through a wholly owned subsidiary, Karl Thomson Energy Limited.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA:

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 12 (Amendments)	Deferred tax – Recovery of underlying assets

The application of the above amendments to HKFRSs in the current interim period had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segment for the period under review:

	Broking for securities, futures and options		Advisory for financial management		Securities margin financing		Oil and gas		Total reportable segments		Unreportable segment - others		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE														
Segment revenue	<u>6,039</u>	<u>10,922</u>	<u>2,493</u>	<u>4,969</u>	<u>1,243</u>	<u>1,515</u>	<u>—</u>	<u>—</u>	<u>9,775</u>	<u>17,406</u>	<u>25</u>	<u>26</u>	<u>9,800</u>	<u>17,432</u>
RESULTS														
Segment (loss) profit	<u>(2,453)</u>	<u>(3,840)</u>	<u>801</u>	<u>1,125</u>	<u>1,172</u>	<u>1,411</u>	<u>349</u>	<u>(14,918)</u>	<u>(131)</u>	<u>(16,222)</u>	<u>13</u>	<u>14</u>	<u>(118)</u>	<u>(16,208)</u>
Unallocated expenses													<u>(3,337)</u>	<u>(3,110)</u>
Share of (loss) profit of an associate													<u>(12,743)</u>	<u>3,742</u>
Loss before taxation													<u>(16,198)</u>	<u>(15,576)</u>

Segment (loss) profit represents the financial results by each segment without allocation of central administrative costs and share of (loss) profit of an associate. This is the measure reported to the Board of Directors for the purposes of resources allocation and performance assessment.

The total assets of the Group at the end of the interim period, except for share of loss recognised against the interest in an associate during the current period, do not differ significantly from amounts in the latest annual financial statements.

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2011 and 2012 as the companies within the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by estimated tax losses brought forward.

No provision for income tax is made in other jurisdictions as the subsidiaries in other jurisdictions had no assessable profits for the six months ended 30 June 2011 and 2012.

5. DIVIDENDS

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(16,338)</u>	<u>(14,474)</u>
Number of shares	'000	'000
Number of ordinary shares for the purpose of basic loss per share	<u>636,844</u>	<u>636,844</u>

No diluted loss per share was presented as there were no potential ordinary shares during the six months ended 30 June 2011 and 2012.

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represented oil concession rights given to the Group by the Egyptian government in relation to exploration and extraction in 80% of oil field of Block 2 West Esh EI Mallaha in Egypt ("Block 2") and 40% of Block 3 West Kom Ombo ("Block 3") in Egypt. The share of exploration and evaluation assets by non-controlling shareholders is disclosed separately as "non-controlling interest" in the condensed consolidated statement of changes in equity. On 25 January 2010, the Group entered into an agreement with Groundstar Resources Egypt (Barbados) Inc ("Groundstar"), the joint venture partner of Block 2 and Block 3, to exchange of participating interest in Block 3 and Block 2 (the "Original Asset Exchange Agreement"). Pursuant to the Original Asset Exchange Agreement, 20% participating interest of Block 2 held by Groundstar will be passed to the Group in order to exchange 20% participating interest of Block 3 held by the Group.

On 15 August 2011, the Group entered into an agreement with Groundstar to amend and restate the Original Asset Exchange Agreement (the "Revised Asset Exchange Agreement"). Pursuant to the Revised Asset Exchange Agreement, Groundstar agreed to transfer its 20% participating interest in Block 2 and certain casing inventories amounting to HK\$1,700,000 to the Group, in consideration of which the Group agreed to transfer to Groundstar its 40% participating interest of Block 3 held by the Group and refund to Groundstar the balance of approximately US\$380,000 (equivalent to HK\$2,943,000) held by the Group on trust for Groundstar in respect of the security for the obligations under the concession agreement of Block 2. As a result of the Revised Asset Exchange Agreement, the Group effectively holds 60% of Block 2 and zero interest in Block 3 after taking into accounts the share of interest by the non-controlling shareholders.

During the six months ended 30 June 2011, an impairment loss of HK\$13,800,000 was recognised. Remaining amount of the exploration and evaluation assets of HK\$325,991,000 was impaired in the second half of 2011.

8. INTEREST IN AN ASSOCIATE

The carrying amount of the interest in an associate represents the Group's 47.37% equity interest in Asia Tel-Net and Technology Corporation Limited ("ATNT"). As at 30 June 2012, the market value of the Group's interest in ATNT, calculated by reference to the closing price of the ATNT shares quoted on the Stock Exchange, was approximately HK\$66,665,000 which was below its carrying amount. In view of the above and the net loss position of ATNT for the year ended 31 December 2011 and the six months ended 30 June 2012, the entire carrying amount of the investment in ATNT was assessed for impairment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKSA 36") by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

In estimating of the value in use, the Directors are required to estimate the present value of the estimated future cash flows expected to arise from the Group's investment in ATNT based on reasonable and supportable assumptions. The probability of the proposed distribution in specie ("Distribution In Specie") as disclosed in note 11 will affect the estimated future cash flows for the purpose of the value in use calculation. Given that the proposed Distribution in Specie is subject to independent shareholders' approval, the Directors considered they had difficulty to estimate the probability of the proposed Distribution in Specie and therefore are unable to perform the value in use estimation and as such are unable to determine the recoverable amount in accordance with HKAS 36. Accordingly, no impairment has been made on the carrying amount of Group's interest in an associate.

9. ACCOUNTS RECEIVABLE

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
Cash clients	14,458	16,084
Hong Kong Securities Clearing Company Limited ("HKSCC")	4,874	491
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	4,644	5,550
Loans to securities margin clients	27,968	21,801
Accounts receivable arising from the business of advisory for financial management	<u>25</u>	<u>356</u>
	<u>51,969</u>	<u>44,282</u>

The settlement terms of accounts receivable from cash clients, HKSCC and HKFECC are usually one to two days after the trade date. Except for the accounts receivable from cash clients as mentioned below, the accounts receivable from HKSCC and HKFECC were aged within 30 days.

Loans to securities margin clients are repayable on demand and bear interest at Hong Kong Prime Rate quoted by Wing Hang Bank plus 3% equivalent to 8.25% (31 December 2011: 8.25%) per annum. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value. The loans are secured by pledged marketable securities at fair value of HK\$92,158,000 (31 December 2011: HK\$75,220,000). The percentage of collateral over the outstanding balance at 30 June 2012 is ranged from 104% to 17054% (31 December 2011: ranged from 134% to 22486%). The fair value of pledged marketable securities of the individual securities margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customer defaults the payment as requested by the Group.

9. ACCOUNTS RECEIVABLE – *continued*

The Group does not provide any credit term to its clients under the business of advisory for financial management and cash clients. The accounts receivable from clients under the business of advisory for financial management were aged within 90 days. The aged analysis of accounts receivable arising from cash clients is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Accounts receivable from cash clients		
0 to 90 days	10,890	13,795
91 to 180 days	3,568	2,289
	<u>14,458</u>	<u>16,084</u>

10. ACCOUNTS PAYABLE

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Accounts payable arising from the business of dealing in securities:		
Cash clients	75,208	75,107
HKSCC	—	1,503
Accounts payable to clients arising from the business of dealing in futures contracts	14,363	14,747
Amounts due to securities margin clients	2,092	3,622
	<u>91,663</u>	<u>94,979</u>

The settlement term of accounts payable to cash clients and HKSCC is two days after the trade date and aged within 30 days.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their tradings of futures contracts on the HKFECC. The excess of the outstanding amounts over the required margin deposits stipulated by the HKFECC are repayable to clients on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

Amounts due to securities margin clients are repayable on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

The accounts payable amounting to HK\$78,505,000 (31 December 2011: HK\$90,454,000) were payable to clients or other institutions in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

11. EVENT AFTER THE END OF THE REPORTING PERIOD

With reference to the trading suspension announcement issued by the Company and the announcement issued by ATNT on 3 July 2012, an independent third party (the "Subscriber") and the Company have entered into a subscription agreement (the "Agreement"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue new shares of the Company to the Subscriber subject to the terms and conditions of the Agreement ("Proposed Subscription"). The Proposed Subscription may lead to a general offer obligation under the Hong Kong Code on Takeovers and Mergers.

The completion of the Proposed Subscription is conditional upon, among others, the independent shareholders' approval of the Company and the completion of distribution in specie to existing shareholders of the Company ("Proposed Distribution") in respect of all the shares of Karfun Investments Limited ("Karfun"). Karfun is a wholly owned subsidiary of the Company and is an investment holding company that holds the interest in an associate, ATNT. The Proposed Distribution is also subject to, among others, the independent shareholders' approval of the Company.

Up to the date of this report, trading in the Company's shares on the Stock Exchange is suspended pending release of an announcement in relation to the Proposed Subscription. Special general meeting for the purpose of approving, among others, the Proposed Subscription and the Proposed Distribution are not yet convened.

MODIFICATION TO THE AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The review opinion on the condensed consolidated financial statements of the Group for the six months ended 30 June 2012 has been modified and is extracted as follows:

Basis for Qualified Conclusion

As set out in note 9* to the condensed consolidated financial statements, the carrying amount of the interest in an associate represents the Group's 47.37% equity interest in Asia Tel-Net and Technology Corporation Limited ("ATNT"). As at 30 June 2012, the market value of the Group's interest in ATNT, calculated by reference to the closing price of the ATNT shares quoted on The Stock Exchange of Hong Kong Limited, was approximately HK\$66,665,000 which was below its carrying amount. In view of the above and the net loss position of ATNT for the year ended 31 December 2011 and the six months ended 30 June 2012, the entire carrying amount of the investment in ATNT was assessed for impairment by the directors of the Company in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKSA 36") by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

In estimating of the value in use, the directors of the Company are required to estimate the present value of the estimated future cash flows expected to arise from the Group's investment in ATNT based on reasonable and supportable assumptions. The probability of the proposed distribution in specie ("Distribution In Specie") as disclosed in note 18[#] to the condensed consolidated financial statements will affect the estimated future cash flows for the purpose of the value in use calculation. Given that the proposed Distribution in Specie is subject to independent shareholders' approval, the directors of the Company considered they had difficulty to estimate the probability of the proposed Distribution in Specie and therefore are of the opinion that they are unable to perform the value in use estimation and as such are unable to determine the recoverable amount in accordance with HKAS 36. Accordingly, no impairment has been made on the carrying amount of the Group's interest in an associate. For these reasons, we are unable to satisfy ourselves that the recoverable amount of the Group's investment in an associate exceeds its carrying amount as at 30 June 2012 and accordingly whether the Group's interest in an associate was free from material misstatement and whether any impairment losses were required. Any adjustments found to be necessary would affect the net assets of the Group as at 30 June 2012 and its loss for the six-months period then ended.

Qualified Conclusion Arising from Limitation of Review Scope

Except for the possible effects of the matter determine in the Basis for Qualified Conclusion paragraphs, based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

* Being Note 8 in this interim results announcement

Being Note 11 in this interim results announcement

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2012, the total revenue for the Group was approximately HK\$9,800,000 (2011: HK\$17,432,000). Loss attributable to owners of the Company was approximately HK\$16,338,000 (2011: HK\$14,474,000) as the global economy was still hammered by the deeper twin doldrums of the European Debt Crisis and the worldwide recession.

MARKET OVERVIEW

The Hong Kong stock market entered a typical bearish cycle run on thin volume during the period under review. Although Hang Seng Index fell within a wide trading fluctuation for most of the time, most stocks already dropped far below the level of the last year low of 16,000. The Hong Kong market still underperformed against the overseas market partly due to the continued fund outflow from the region and partly due to the worry on the possible hardlanding of Chinese economy. Institutional investors took excuses on any grounded or ungrounded negative news to liquidate their portfolio. Strategic investors were also forced to reduce their shareholdings likely due to their own financial needs. Goldman Sachs was said to raise US\$2.5 billion by sell a stake of Industrial and Commercial Bank of China to Temasek Holdings Pte in April, Telefonica International of Spain also sold 4.56% stake of China Unicom (Hong Kong) Limited to the holding company of China Unicom for a total consideration of HK\$10.9 billion. The development of European Debt Crisis dictated the market movement. The successful agreement between Greece and the Central European Bank helped to relieve the investor anxiety and fueled the market to rebound from last year low. However, the uncertain development on Greece parliament election renewed concerns on possible leave of Greece from the Eurodollar zone and this might create another round of chaos to the financial market. Most of sectors were under selling pressure. Skepticism remained extreme high on the private enterprises. In particular, those newly listed companies were desperately sold down as they faced serious queries on their financial reports. The scandal problems were also occasionally extended to involve the national enterprises, for example, the Shanghai Pharmaceuticals Holding Co., Limited. Despite that China started to cut bank required reserve ratio and interest rate, the Chinese bank stocks were still under pressure on the worry of thinner interest spread as a result of initiated greater competition on wider loan interest charges range. The telecom stocks and utility stock were better defensive counters. The former benefited from the debut of Facebook to revalue the related stocks upward whilst the latter were underpinned by stable and high dividend yields. The successful formation of Greece government favouring the implementation of the signed agreement brought some stability on Eurodollar situation towards the end of the review period. The market gave up most of the gain with Hang Seng Index to end up almost 1000 points to 19,441 whilst H index reversing gain to lose about 400 points to 9,575. Normal daily turnover dropped to near HK\$40 billion range leaving with mainly short term derivative linked tradings which now took more than 30% of the total turnover. Shanghai A Index was struggling to break the bearish cycle range by carrying out aggressive reforms including the tightening the listing control and encouraging more funds to enter the market but the effects remained to see.

The European countries would still report more financial problems and policy disputes but their impact should be decreasing. The investors now turn their worries on the global economic recession as most economic zones reported with poorer economic data. Except in the Eurodollar zone, the monetary easing policy and more progressive fiscal policy will almost be inevitable for the other centres especially when inflation is expected to decline significantly in period ahead and become no more serious. China has started and will continue to cut bank reserve ratio and interest rate. Other Chinese policies to support Hong Kong are also being crystallised. The next new measures include expanding the off-share RMB activities, issuing bigger national RMB bonds, setting up more exchange traded funds to encourage more interactive flows across the border. In the short term, investors' confidence remains fragile and they tend to exit from the market in view of the unreasonably volatile movement and disappointed share price performance. The fundamental value of the stock market now looks extremely attractive to long term investors with P/E multiples and dividend yield dropping to the level comparable to that of the Lehman Bankruptcy period. The previous reforms of Hong Kong Stock exchanges did add pressures on the local operators. It is hoped that the new Hong Kong government may bring more positive changes in favour of local securities business development. As the current quiet market situation will unlikely improve, cost saving is the most effective way to help the company to face this serious business challenges in the short term.

SECURITIES, FUTURES AND OPTIONS BROKERAGE BUSINESS

During the period under review, revenue for the Group's securities, futures and options broking business, as well as the underwriting commission, which accounted for 62% of total revenue was HK\$6,039,000 (2011: HK\$10,922,000). The division performance was weak on the shrinking market volume as the retail investors were almost absent from the daily participation due to the irritable volatility.

ADVISORY FOR FINANCIAL MANAGEMENT

Revenue generated from advisory for financial management business was HK\$2,493,000 (2011: HK\$4,969,000).

As the investment banking division of the Group, Karl Thomson Financial Advisory Limited provides various financial advisory services mostly to publicly listed companies in Hong Kong. The division has been helping clients conducting transactions in the financial market, advising on private equity investments, and offering professional guidance on mergers and acquisitions.

In the past several years, the business environment for investment banking has become more and more competitive. In particular, the market of corporate finance advisory business became more concentrated. Meanwhile, the worsening financial environment has diminished investors' incentives for active investment activities. In light of such a challenging scenario, the division formulated its strategy to focus on niche clients and transactions, in order to generate stable business and create sustainable competitive advantage.

Looking forward, the recovery of the business environment for corporate finance advisory business is still uncertain. Thus, the division will pay high attention to the cost structure and be conservative in expanding the business in the near future.

Financial management and advisory division turned slower as investors became cautious on the fluctuated market and preferred to take risk aversion attitude. Riskier products like equity linked funds met greater resistance whilst the fixed return products including bonds and high yield foreign currency had an easier acceptance.

SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio was HK\$1,243,000 (2011: HK\$1,515,000). As overseas environment remains unstable, investors tended to cut their overnight position to avoid risk. Most of the investment activities were of short term speculative nature.

OIL AND GAS BUSINESS

The oil and gas exploration business is developed through our wholly owned subsidiary, Karl Thomson Energy Limited.

The Group currently holds an exploration license in Block 2. The License will expire in September 2014 and is subject to renewal on or before 16 September 2012. As of the date of this joint announcement, the Group has spent over US\$16 million in exploration in Block 2 and has met all of its financial obligations up to September 2014 as required under the License. As far as operational obligations are concerned, the Group is required to drill a total of four wells by September 2014. As set out in the Company's annual report for 2011, once the political and social environment in Egypt has become stable, the Group will consider resuming its exploration activities in Egypt depending on the then financial resources of the Group and the general economic situation. Now the 2012 presidential election of Egypt is over and that Mr. Mohamed Morsi has been elected as the President of Egypt, the Group will actively liaise with the Egyptian Government on its exploration work programmes as well as the renewal of the License. A verbal request for a time extension was made in July 2012 and a written request was submitted to the Egyptian government in early August 2012. On 12 August 2012, senior management of the Group has met with the government officials in Cairo. Extension request is now being processed. Further meetings in Cairo are being set up to finalise the extension agreement officially. The Company will publish an announcement regarding the results of the extension as soon as practicable.

Based on the report titled "External Position of the Egyptian Economy" issued by the Central Bank of Egypt, the investment sentiment in Egypt is improving, especially after the elections held in the first half of this year. In particular, net foreign direct investment in the oil sector has dropped since the revolution in January 2011. A recent press release issued by the Central Bank of Egypt stated that the foreign direct investment in the oil sector recorded a net inflow of US\$35 million for the nine months ended March 2012. This suggests that the net inflow for the three months ended March 2012 was US\$2.1 billion as contrast to the net outflow of US\$1.7 billion for the three months ended December 2011. These are positive signs showing the return of investor confidence and the financial data demonstrates that the situation in Egypt is becoming increasingly stable.

Although the Group's exploration and evaluation assets were fully impaired in accordance with the requirements of the Hong Kong Financial Reporting Standards, the Group holds the License in Block 2 which confers upon it the right to continue the exploration works on two of the four wells under the Concession Agreement. In view of the stabilised political and economic conditions in Egypt, the substantial amount of resources that had been allocated by the Group to the exploration work and the promising results of the drilling of three wells in Block 2 as disclosed in previous interim and annual reports, the Directors believe that it is now an appropriate move to consider resuming its exploration activities in Egypt. According to the Concession Agreement, the outstanding work obligations of the Group include the drilling of four additional wells and the acquisition of seismic data.

As at 30 June 2012, the Group had bank and cash balances (excluding pledged fixed deposits and trust and segregated accounts) of approximately HK\$11.6 million which is not sufficient for the Group to undertake the outstanding works under the Concession Agreement and external financing must be secured in order to resume the exploration work in Egypt. Trading of the shares of the Company was suspended since 3 July 2012 pending the release of an announcement in relation to a proposed subscription of new shares in the Company by an independent third party.

ASSOCIATE - ELECTROPLATING EQUIPMENT BUSINESS

The technology arm of the Group is developed through our associate, ATNT.

The revenue for the ATNT Group was greatly reduced when comparing to previous period. Lower revenue reported for the six months ended 30 June 2012 was mainly due to soft order backlogs captured since the quarter end of 2011. The on-going economic crisis in Euro-zone and sluggish recovery in US economy continued to hurt our reporting revenue as customers remained cautious and tended to defer delivery and scale back their capital investments in uncertain economic environment. Given that the investment sentiment is still weak, ATNT has been implementing several cost control measures to reduce its operating cost. Coupled with operation efficiency, its gross profit margin remained about the same as previous period despite general inflation in raw material and labour costs.

It is expected that the business environment will continue to face headwind in the later part of 2012, the board and the management team of ATNT will remain prudent and cautious in the management of its business.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

The Group has not entered into any agreement about any acquisition or disposal of companies during the six months ended 30 June 2012.

Trading of the shares in the Company was suspended since 3 July 2012 pending the release of an announcement in relation to a proposed subscription of new shares in the Company by an independent third party.

EXPLANATION ON THE QUALIFIED CONCLUSION ISSUED BY THE AUDITORS

For the estimation of the value in use, the Directors are required to estimate the present value of the estimated future cash flows expected to arise from the Group's investment in ATNT based on reasonable and supportable assumptions. The probability of the proposed distribution in specie ("Distribution In Specie") as disclosed in note 11 of this announcement will affect the estimated future cash flows for the purpose of the value in use calculation. Given that the proposed Distribution in Specie is subject to independent shareholders' approval, the Directors are not in a position to estimate, with reasonable or supportable assumptions, whether the proposed Distribution in Specie can be completed or not. Thus, the Directors are unable to perform the value in use estimation and unable to determine the recoverable amount in accordance with HKAS 36. Accordingly, no impairment is made on the carrying amount of Group's interest in ATNT.

If, by simply comparing the carrying amount of Group's interest in ATNT, which was approximately HK\$94,000,000, against the market value of the Group's interest in ATNT calculated by reference to the closing price of the ATNT shares quoted on The Stock Exchange of Hong Kong Limited as at 30 June 2012, which was approximately HK\$66,665,000, the impairment loss to be made to the profit and loss statement would be approximately HK\$27,300,000 and the carrying amount of Group's interest in ATNT will be reduced to approximately HK\$66,700,000.

CORPORATE GOVERNANCE

The Company is aware of the importance that complying with the relevant statutory and regulatory requirements and maintaining good corporate governance standards are important to the effective and efficient operation of the Company. The Company has, therefore, adopted and implemented relevant measures to ensure that the relevant statutory and regulatory requirements are complied with and that a high standard of corporate governance practices is maintained.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2012, the Group had shareholders' funds of approximately HK\$121,168,000 (31 December 2011: HK\$137,074,000). The net current assets of the Group were HK\$30,358,000 (31 December 2011: HK\$24,398,000), which consisted of current assets of HK\$157,190,000 (31 December 2011: HK\$166,267,000) and current liabilities of HK\$126,832,000 (31 December 2011: HK\$141,869,000), representing a current ratio of approximately 1.24 (31 December 2011: 1.17).

The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, loan from associate and financial institutions, and equity financing. During the period, the Group obtained short-term bank borrowings which is mainly facilitating the margin to client for the application of Initial Public Offering and daily operations and investments. As at 30 June 2012, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK\$11,625,000 (31 December 2011: HK\$16,478,000).

As at 30 June 2012, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts) over shareholders' funds, was at a level of 8 (31 December 2011:5).

CONTINGENT LIABILITIES

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. As at 30 June 2012, HK\$199,000 (31 December 2011: HK\$3,373,000) of such facilities was utilised by the subsidiary to facilities daily operation.

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2012. The Group's banking facilities were secured by guarantees given by the Group's bank deposits, margin clients' listed securities and the Company.

As at 30 June 2012, bank deposits amounting to approximately HK\$7,524,000 (31 December 2011: HK\$7,517,000) and listed securities held by margin clients with market value amounting to approximately HK\$8,973,000 (31 December 2011: HK\$8,645,000) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 30 June 2012, the total number of issued ordinary shares of the Company was 636,843,612 of HK\$0.10 each (31 December 2011: 636,843,612 shares of HK\$0.10 each).

HUMAN RESOURCES

As at 30 June 2012, the Group employed a total of 65 staff (2011: 80) of which 28 were commission based (2011: 41) and the total related staff cost amounted to HK\$6,644,000 (2011: HK\$7,071,000). The Group's long term success rests primarily on the total integration of the company core value with the basic staff interest. In order to attract and retain high caliber staff, the Group provides competitive salary package and other benefits including mandatory provident fund, medical schemes and bonus. The future staff costs of the sales will be more directly linked to the performance of business turnover and profit. The Group maintained organic overhead expenses to support the basic operation and dynamic expansion of its business enabling the Group to respond flexibly with the changes of business environment.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the year ended 30 June 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES IN APPENDIX 14 OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report except for the deviation from code provision A.4.2. of the Code which every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to Bye-laws of the Company, the Chairman or Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. As continuation is a key factor to the successful implementation of any long-term business plans, the Board believes that the roles of Chairman and Managing Director provides the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategies, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six month period ended 30 June 2012, the Company has adopted the Model Code under Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code and the Code during the period under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is composed of all of its independent non-executive Directors, namely Messrs. Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David. The principal duties of the Audit Committee are to review, together with management and the Company's external auditor, the accounting principles and practices adopted by the Company and discuss internal controls and financial reporting matters.

The international auditor of the Company, Messrs. Deloitte Touche Tohmatsu have reviewed the financial statements for the period under review and have issued a report on review of interim financial information. In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed together with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the unaudited interim financial statements for the period under review.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) is composed of three Directors, namely Messrs. Nam Kwok Lun, Chen Wei-Ming Eric and Ng Chi Kin David. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors’ service contracts; making recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) is established on 27 March 2012 and is composed of three Directors, namely Messrs. Lam Kwok Hing, Chen Wei-Ming Eric and Ng Chi Kin David. The principal functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying and nominating qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company at www.ktg.com.hk under the section “Announcement” of KTG Profile and Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk “Latest Listed Company Information”. The 2012 interim report will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 22 August 2012

As at the date of this announcement, the Company comprises Messrs. Lam Kwok Hing and Nam Kwok Lun as executive Directors; and Messrs. Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David as independent non-executive Directors.

* *For identification purpose only*