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 2008

INTERIM RESULTS

The Board of Directors (the "Board") of Karl Thomson Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative figures for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended	
	NOTES	**30 June 2008 *HK$'000* (unaudited)**	30 June 2007 *HK$'000* (unaudited)
Revenue	*3*	**27,748**	35,718
Exchange gain		**1,883**	—
Other income		**1,586**	1,462
(Allowance) write-back of allowance for bad and doubtful debts		**(100)**	264
Amortisation of intangible assets		**(3)**	(3)
Depreciation		**(277)**	(198)
Finance costs		**(725)**	(54)
Other operating expenses		**(19,841)**	(20,079)
Staff costs		**(6,852)**	(7,027)
Share of result of an associate		**28,764**	5,007
Share of result of a jointly controlled entity		**—**	545
Profit before taxation		**32,183**	15,635
Taxation	*4*	**—**	(680)
Profit for the period		**32,183**	14,955
Attributable to:			
Equity holders of the Company		**33,624**	14,919
Minority interests		**(1,441)**	36
		32,183	14,955
Earnings per share			
Basic	*6*	**HK5.66 cents**	HK3.09 cents
Diluted		**N/A**	HK3.06 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
NON-CURRENT ASSETS		
Fixed assets	**920**	968
Intangible assets	**8**	11
Exploration and evaluation assets	**397,846**	345,371
Interest in an associate	**169,965**	135,356
Statutory deposits	**4,000**	4,150
Loans receivable	**827**	930
	573,566	486,786
CURRENT ASSETS		
Accounts receivable	**47,224**	89,056
Loans receivable	**721**	876
Other receivables, prepayments and deposits	**3,209**	3,061
Tax recoverable	**1,078**	257
Pledged fixed deposits (general accounts)	**53,520**	63,141
Bank balances (trust and segregated accounts)	**77,373**	100,994
Bank balances (general accounts) and cash	**32,087**	42,264
	215,212	299,649
CURRENT LIABILITIES		
Accounts payable	**87,989**	136,459
Other payables and accrued expenses	**10,856**	19,697
Other loans	**6,050**	5,594
Amount due to a joint venturer	**18,539**	23,174
Amounts due to directors	**21,759**	21,536
Tax payable	**3,245**	3,245
	148,438	209,705
NET CURRENT ASSETS	**66,774**	89,944
NET ASSETS	**640,340**	576,730
CAPITAL AND RESERVES		
Share capital	**59,356**	59,356
Reserves	**501,284**	436,233
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**560,640**	495,589
MINORITY INTERESTS	**79,700**	81,141
TOTAL EQUITY	**640,340**	576,730

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 provision of financial services and oil and gas exploration and production. The financial services provided by the Group include stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products broking, securities margin financing and corporate finance advisory services. The oil and gas exploration and production are developed through the 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 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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HK (IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK (IFRIC) – INT 12	Service concession arrangements
HK (IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 13	Customer loyalty programmes[3]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[4]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 July 2008.
4 Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions, namely, broking, securities margin financing and oil and gas segments. These divisions are the basis on which the Group reports its primary segment information.

The revenue and segment results of the Group, analysed by principal activity, were as follows:

	Broking Six months ended		Securities margin financing Six months ended		Oil and gas Six months ended		Others Six months ended		Consolidated Six months ended	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE										
Segment revenue	**25,847**	33,307	**1,167**	1,370	**—**	—	**734**	1,041	**27,748**	35,718
RESULTS										
Segment profit (loss)	**2,083**	10,769	**1,162**	1,376	**(501)**	—	**(425)**	(1,841)	**2,319**	10,304
Unallocated income									**1,883**	—
Unallocated expenses									**(783)**	(221)
Share of result of an associate									**28,764**	5,007
Share of result of a jointly controlled entity									**—**	545
Profit before taxation									**32,183**	15,635
Taxation									**—**	(680)
Profit for the period									**32,183**	14,955

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 2008 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. Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30 June 2007.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009.

No provision for profits tax is made in other jurisdictions as the subsidiaries in other jurisdictions have no assessable profits for the period.

5. DIVIDENDS

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

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30 June 2008	30 June 2007
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**33,624**	14,919
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**593,562**	482,173
Effect of dilutive potential ordinary shares arising from share options	**N/A**	4,674
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	486,847

No diluted earnings per share was presented as there were no potential ordinary shares during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the six months ended 30 June 2008, the total revenue for the Group was approximately HK$27,748,000 (2007: HK$35,718,000). Profit attributable to shareholders compared to the first half year of 2007 increased by 125% to approximately HK$33,624,000 (2007: HK$14,919,000). Although the core financial business decreased slightly in the light of poor global stock market, the share of result of an associate increased by approximately HK$23,700,000 compared to past corresponding half year.

Market Overview

The global stock market selling extended to 2008 after the outbreak of the subprime crisis and the related credit crunch in United States ("US") in the last quarter last year. The US financial industry was hardest hit as a result of this credit tightening, the consequent huge write-downs and the concern on solvency problems after the subprime crisis and the further property slump. The sharp credit contraction forced investors to dump their equities nervously on the deleverage needs whilst the risk aversion and a swift of fund flow into commodities exaggerated the magnitude and the speed. As international funds required withdrawing funds from abroad back to strengthen their capital base at home countries, the emerging market suffered greater selling and fall despite their less relevance to the US economic problems. The inflow of hot money speculated up the commodities prices of all kinds including energy, raw materials and agricultural products on the excuses of structural shortage and weak US dollar. Most commodities recorded more than 50% appreciation over the past six months. Typically, oil price jumped 53.3% from US$95.98 per barrel at the end of last year to a historic high of US$147.27 per barrel. The rocketing of commodities prices soared up inflation across the world. This limited the room for US authorities to relieve the liquidity to solve the credit contraction and housing problem and raised an anxious concern on possible stagflation. The Greater China Region faced additional pressure from the China austerity program in cooling down the overheating economy and curbing the inflation. As A Share Market was overbrought and overvalued last year, the credit tightening and withdrawal of institutional funds sent the market sharply down and make it almost the worst performer of the global stock market during the review period. Shanghai A Index tumbled 51.2% down to the year low of 2,566.52. Hong Kong stock market situation was neither in any way better. In additional to continual foreign selling, the Central Government halted up the program of Direct Individual Investment Program. This immediately reversed the sentiment to become bearish. Hang Seng Index ("HSI") easily dropped below the 250 days index of moving average of 24,818 and technically entered the bear market cycle. HSI lost as much as 26% to a year low of 20,573 and recovered slightly to 22,102 by the first half of 2008. Similarly, H Index also shrank 26.2% to 11,909.75 by the end of the review period. Liquidation on equities was across the board and continued persistently over the first half of 2008. The energy consuming sector suffered greatest selling. The steep rise of raw material cost, RMB and labour cost eroded most of the profit margin of the manufacturers and exporters. The airliners, shipping liners and motors were the victims of the high oil price whilst the utility and lower stream of oil business were further squeezed to operating loss by the Central Government Policy to freeze the price of oil refinery products to control the inflation. The emergency of technical rebound was short lived and weak and soon encountered with further stock liquidation. Despite the decisive cut of 2.25% interest rate by the US Federal Reserve and the injection of sizable additional liquidities into the capital market, the US economy was still reported with further worsening and the on-going credit crunch problems were threatening the solvency of financial institutions including the investment banks, bond insurers, the mortgage finance institutions and the regional banks among which the big names were no exceptions. Several time-honored institutions eventually had to be taken over, namely, Bear Stearns by Morgan Chase and IndyMac Bank by Federal Deposit Insurance Corp. The investor confidence fell to the bottom when the two government-sponsored mortgage finance giants — Fannie Mae and Freddie Mac were rumoured with insolvent difficulties. The crisis took a short relief when US government finally stepped in to expand credit line to the two giants and to acquire their shares. The ban of naked selling on 19 financial stocks and other administrative measures also helped to stabilise the market for a while.

The economy of Hong Kong is still cautious positive but is inevitably being weakened by the deterioration of US economy. The high oil price and therefore the consequent high inflation becomes the major threat to the global economy and US economic development remains the root of the worry. The oil price, housing situation and financial industry performance of US will be the focus in near future and will be hammering the investor confidence from time to time. The subprime issue has already become a confidence crisis in nature. As the whole investment markets fall into chaos, fears and suspicions, the fundamental factors are generally ignored. The current sentiment is extremely fragile and investors will nervously respond to any negative rumours and news by further liquidation in equities. The stock market will hence see heading downward with short and weak rebounds on high volatility and low volume. In view of the growing tough external environment, there are signs that the China government may adjust and relieve their credit tightening policy to reduce the burdens of the manufacturers and exporters. The further liberation of the prices of the lower streams of energy products may improve the profitability of the relevant operators. On the back of the persistent strong China economy and abundant local liquidity, the Hong Kong market is well-positioned to recover rapidly as soon as the situation of the US economy looks clearer and find bottoms. In longer prospective, the market remains optimistic.

Securities, Futures and Options Brokerage Business

During the period under review, revenue for the Group's securities broking business and futures broking business as well as the underwriting commission, which accounted for 53.5% of total revenue, was HK$14,844,000 (2007: HK$22,301,000). The division fell in turnover mainly attributing to the bearish sentiment and the weak stock market.

Securities Margin Financing

During the period under review, interest income generated from securities margin loan portfolio accounted for 4.2% of the Group's revenue was HK$1,167,000 (2007: HK$1,370,000). Profit for this division reached HK$1,162,000 (2007: HK$1,376,000). The division had registered decline a result of a drop in trading activities as well as a decrease in loan demand for overnight margin financing to avoid the volatility risks in facing the uncertain US market.

Financial Management and Advisory Services

Revenue generated from financial management and advisory services was HK$11,003,000 (2007: HK$11,006,000). The market was bearish for the first six month of 2008 and business was softened because the global investment sentiment was bad. We will take conservative approach as the investment strategy for our clients. In order to maintain our competitive advantage, we are going to enhance our product range and quality of service and recruit more consultants. We will also implement more marketing campaigns to promote our brand name and motivate our consultants.

Investment Banking

Operating revenue generated by the investment banking business reduced to HK$660,000 (2007: HK$942,000). The increasing uncertainties among the investors about the global economic outlook and the deepening credit market had created slumps in major stock indexes around the globe. The restrictive policies launched in the PRC by the central government before the Beijing Olympic 2008 further suppressed the commercial activities in the region. All these had been making operation of financial industry challenging. However, the division was still able to source several mandates on financial advisory and fund raising. It is expected that these new businesses will bring along fruitful results for the rest of the year if not yet reflected in the period under review.

The investment banking division will continue to concentrate on building its premier boutique investment-banking image and provide corporate clients with tailor-made and cost effective financial advisory services. Given the prosperous economic growth in the PRC, the management is optimistic about the business in the future.

Material Acquisitions and Disposals of Companies

There was no material acquisition and disposal of companies during the period.

Liquidity, Financial Resources and Funding

As at 30 June 2008, the Group had shareholders' funds of approximately HK$640,340,000 (31 December 2007: HK$576,730,000). The net current assets of the Group were HK$66,774,000 (31 December 2007: HK$89,944,000), which consisted of current assets of HK$215,212,000 (31 December 2007: HK$299,649,000) and current liabilities of HK$148,438,000 (31 December 2007: HK$209,705,000), representing a current ratio of approximately 1.45 (31 December 2007: 1.43).

The Group generally finances its operation with internally generated cash flows. The Group has no long-term bank borrowings apart from occasional utilisation of overdraft facilities and short-term bank borrowings. During the period under review, the Group has no short-term bank borrowings (31 December 2007: Nil). As at 30 June 2008, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$32,087,000 (31 December 2007: HK$42,264,000).

As at 30 June 2008, 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 0 (31 December 2007: 0) since no bank borrowings as at 30 June 2008.

Contingent Liabilities

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. No bank borrowings of such facilities utilised by the subsidiary as at 30 June 2008 (31 December 2007: Nil).

Charge on Assets

The Group held banking facilities from various banks as at 30 June 2008. 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 2008, bank deposits amounting to HK$53,520,000 (31 December 2007: HK$63,141,000). Bank deposits of approximately HK$7,402,000 (31 December 2007: HK$8,541,000) was pledged to secure banking facilities granted to a subsidiary and no margin clients' listed securities were pledged and approximately HK$46,118,000 (31 December 2007: HK$54,600,000) was pledged as requested by the Government of Egypt in relation to the oil and gas exploration and production business of Block 2.

Capital Structure

As at 30 June 2008, the total number of issued ordinary shares of the Company was 593,561,612 of HK$0.10 each (31 December 2007: 593,561,612 shares of HK$0.10 each).

Human Resources

As at 30 June 2008, the Group employed a total of 110 staff (31 December 2007: 138) of which, 62 were commissioned based (31 December 2007: 82) and the total related staff cost amounted to HK$6,852,000 (2007: HK$7,027,000). 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 six months ended 30 June 2008 (2007: Nil).

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

During the six months ended 30 June 2008, 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 2008, 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 auditors, the accounting principles and practices adopted by the Company and discuss internal controls and financial reporting matters.

The international auditors 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 all of its Directors, namely Messrs. Lam Kwok Hing, Nam Kwok Lun, Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David. The principal functions of the Remuneration Committee include reviewing the remuneration policies of the Company, assessing the performance of the directors and senior management of the Company and determining policies in respect to their remuneration packages.

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 2008 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, 26 September 2008

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*