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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 2009

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 2009 together with the comparative figures for the six months ended 30 June 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Six months ended	
		30 June	30 June
		2009	2008
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3	15,514	27,748
Net exchange gain		2,112	1,883
Other income		908	1,586
Write-back of allowance for (allowance for) bad and doubtful debts		245	(100)
Amortisation of intangible assets		(3)	(3)
Depreciation		(132)	(277)
Finance costs		(138)	(725)
Staff costs		(6,085)	(6,852)
Other expenses		(13,736)	(19,841)
Share of (loss) profit of an associate		(13,098)	28,764
(Loss) profit before taxation		(14,413)	32,183
Taxation	4	—	—
(Loss) profit for the period		(14,413)	32,183
Attributable to:			
Owners of the Company		(13,573)	33,624
Minority interests		(840)	(1,441)
		(14,413)	32,183
(Loss) earnings per share-Basic	6	HK(2.29) cents	HK5.66 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended	
	30 June	30 June
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	<u>(14,413)</u>	<u>32,183</u>
Other comprehensive income		
Exchange difference arising on translation	34,402	25,582
Share of other comprehensive (expense) income of an associate	<u>(292)</u>	<u>5,845</u>
Other comprehensive income for the period (net of tax)	<u>34,110</u>	<u>31,427</u>
Total comprehensive income for the period	<u>19,697</u>	<u>63,610</u>
Total comprehensive income attributable to:		
Owners of the Company	9,235	65,051
Minority interests	<u>10,462</u>	<u>(1,441)</u>
	<u>19,697</u>	<u>63,610</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

		30 June 2009 <i>HK\$'000</i> (<i>unaudited</i>)	31 December 2008 <i>HK\$'000</i> (<i>audited</i>)
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Fixed assets		666	748
Trading rights		2	5
Exploration and evaluation assets		328,160	290,182
Interest in an associate		137,757	151,147
Statutory deposits		4,075	4,075
Loans receivable		1,208	792
		<u>471,868</u>	<u>446,949</u>
CURRENT ASSETS			
Accounts receivable	7	50,959	32,321
Loans receivable		890	545
Other receivables, prepayments and deposits		8,221	9,982
Tax recoverable		1,005	1,159
Pledged fixed deposits (general accounts)		9,191	16,594
Bank balances (trust and segregated accounts)		91,799	81,750
Bank balances (general accounts) and cash		28,230	38,016
		<u>190,295</u>	<u>180,367</u>
CURRENT LIABILITIES			
Accounts payable	8	108,658	93,593
Other payables and accrued expenses		5,762	8,646
Borrowings		3,536	399
Amount due to a joint venturer		1,731	4,960
Amounts due to directors		14,491	11,430
		<u>134,178</u>	<u>119,028</u>
NET CURRENT ASSETS		<u>56,117</u>	<u>61,339</u>
NET ASSETS		<u>527,985</u>	<u>508,288</u>
CAPITAL AND RESERVES			
Share capital		59,356	59,356
Reserves		399,772	390,537
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>459,128</u>	<u>449,893</u>
MINORITY INTERESTS		<u>68,857</u>	<u>58,395</u>
TOTAL EQUITY		<u>527,985</u>	<u>508,288</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 financial statements for the year ended 31 December 2008.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations (“new and revised HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

HKAS 23 (Revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the revised accounting policy has been applied prospectively since 1 January 2009, the change has had no impact on amounts reported in prior accounting periods. In the current period, no borrowing costs were capitalised as part of the exploration and evaluation assets as the Directors considered the borrowing costs are not significant.

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised 2008)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ³
HKFRS 3 (Revised 2008)	Business combinations ¹
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) – INT 18	Transfers of assets from customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the board of Directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments that was organised into three operating divisions, namely, broking, securities margin financing and oil and gas segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The broking segment reported previously had been divided into broking for securities, futures and options and broking from financial management and advisory services since the internal reports with separate financial information were reviewed by the board of Directors. The unreported segments including investment banking and money lending business are aggregated and presented as "others". Amounts reported for the prior period have been represented to conform the requirements of HKFRS 8.

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

	Broking for securities, futures and options Broking for financial management and advisory service Securities margin financing Oil and gas Others Consolidated											
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	12,523	14,844	1,871	11,003	740	1,167	—	—	380	734	15,514	27,748
RESULTS												
Segment (loss) profit	(1,810)	1,623	(544)	460	817	1,162	(926)	(501)	(156)	(425)	(2,619)	2,319
Unallocated income											2,112	1,883
Unallocated expenses											(808)	(783)
Share of (loss) profit of an associate											(13,098)	28,764
(Loss) profit before taxation											(14,413)	32,183

Segment (loss) profit represents the financial results by each segment without allocation of central administrative costs, share of (loss) profit of an associate and exchange gain. 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 do not differ significantly since the latest annual report date.

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 and 2009 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 16.5% of the estimated assessable profit for the six months ended 30 June 2008 and 2009.

No provision for profits tax is made in other jurisdictions as the subsidiaries in other jurisdictions had no assessable profits for the six months ended 30 June 2008 and 2009.

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) EARNINGS PER SHARE

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

	Six months ended	
	30 June	30 June
	2009	2008
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company		
for the purpose of basic (loss) earnings per share	<u>(13,573)</u>	<u>33,624</u>
Number of shares	'000	'000
Number of ordinary shares for the		
purpose of basic (loss) earnings per share	<u>593,562</u>	<u>593,562</u>

No diluted (loss) earnings per share was presented as there were no potential ordinary shares during the six months ended 30 June 2008 and 2009.

7. ACCOUNTS RECEIVABLE

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	12,804	8,782
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	7,443	—
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited (“HKFECC”) arising from the business of dealing in futures contracts	7,299	7,013
Loans to securities margin clients	22,958	15,776
Accounts receivable arising from the business of providing corporate advisory services	455	750
	<u>50,959</u>	<u>32,321</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 are 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% at 8.25% (31 December 2008: ranging from 8.25% to 9.25%) 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 approximately HK\$90,048,000 (31 December 2008: HK\$65,268,000). The Group is permitted to sell or repledge the marketable securities if the customer default the payment.

The Group does not provide any credit term to its corporate advisory services clients and cash clients. The aged analysis of accounts receivable arising from these clients is as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Accounts receivable from corporate advisory services clients		
0 to 90 days	95	200
91 to 180 days	30	200
Over 180 days	330	350
	<u>455</u>	<u>750</u>

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Accounts receivable from cash clients		
0 to 90 days	12,699	8,119
91 to 180 days	105	663
	<u>12,804</u>	<u>8,782</u>

8. ACCOUNTS PAYABLE

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Accounts payable arising from the business of dealing in securities:		
— Cash clients	86,066	73,870
— HKSCC	—	4,628
Accounts payable to clients arising from the business of dealing in futures contracts	19,136	13,105
Amounts due to securities margin clients	<u>3,456</u>	<u>1,990</u>
	<u>108,658</u>	<u>93,593</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 approximately HK\$91,799,000 (31 December 2008: HK\$81,750,000) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2009, the total revenue for the Group was approximately HK\$15,514,000 (2008: HK\$27,748,000). Loss attributable to shareholders was approximately HK\$13,573,000 (2008: profit of approximately HK\$33,624,000). The core financial business was still under pressure as investor sentiment remained fragile and the market kept panicky volatile in the first quarter.

MARKET OVERVIEW

The stock market of the review period experienced a vagarious volatility of roller coaster and crossed the field of desperation into the territory of promising land. The first quarter was still hardly hit by falling asset prices, deteriorating economic data, defaults of financial structural products, collapsing capital market and increasing corporate failures. The governments of western economies, pioneered by United Kingdom, were left with limited options but to carry out extreme monetary easing policy including acquisition of the big troubled banks and aggressive fiscal policy which barely provided a breather to the panic financial market. The Crisis finally ended with the US government's resort to the great surgery operation of the motor giants in form of bankruptcy restructuring that removed the last potential explosion and helped to rebuild investment confidence. The Asian markets basically did not have structural financial problems and are generally low geared. In particular, the Greater China region was rated to be the first and stronger recovery area as the Chinese government achieved a soft landing for its earlier overheating and possessed the huge foreign reserve in providing greater manipulation room for its monetary and fiscal policy. As soon as the Chinese government announced its RMB 4 trillion economy stimulus program, the investment funds jumped back from bond and currency market to equity, investment and commodities markets. The short covering, anticipation of economy recovery and forthcoming inflation fueled up the rebound. H shares caught the greatest limelight and property, infrastructure play, building material, motor, home electrical appliances, agricultural, petroleum refinery and new energy sectors were rotationally and aggressively sought as the investor interests danced with the implementation of the government recovery policy in various industries. Many stocks registered rebound of several times and some even made new historic highs, for example Tencent Holdings Limited, and BYD Company Limited. The fund reallocation also spilled to the commodities market whereby the prices bottomed out by almost double against the low. Oil price alone soared 114% to a high at US\$72.72 per barrel. The resource counters also bounced back strongly. The return of investment confidence not only stimulated trading volume in secondary market but also revitalised the primary activities in terms of number of new listings, the amount of fund raised and the post listing share price performance. The listing of BBMG Corporation made several records for the IPO frenzy. It froze a margin loan of HK\$470 billion, about 770 times oversubscription of its public offering and surged 56.26% from its listed price at the stock exchange debut. Hang Seng Index advanced 62% to close at 18,378 and H Index jumped 71% to 10,962 with daily turnover leaping to the range of HK\$60 billion.

The stock market during the review period was a liquidity driven recovery but is likely to continue its strengths in period ahead. The sharp rally came surprised to the market and many investors missed this recovery train and will become the new buying forces upon any pullback. The governments of major economies reiterated their persistence in the current monetary easing policy as most economists and analysts almost have the same consensus that the Western economies will undergo slow and lengthy recovery. On the contrary, after implementing the progressive monetary and fiscal policy, the China economy is gradually reported with some encouraging signs of sustainable recovery and is being upgraded to register greater GDP growth than the original official forecast of 8% by many big financial institutions. While Hong Kong stock market is enjoying the double advantages of both low global interest rate and recovering China economy, the territory continues to attract massive fund inflow and the daily Hong Kong Inter-bank Liquidity Balance stands consistently above HK\$200 billion. The outlook of the stock market will still be positive for the rest of the year.

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 81% of total revenue, was HK\$12,523,000 (2008: HK\$14,844,000). The division remained weak amid the poor market conditions in the first quarter.

SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio accounted for 5% of the Group's revenue was HK\$740,000 (2008: HK\$1,167,000). The division had registered decline mainly attributing to the cautious sentiment in the first quarter.

FINANCIAL MANAGEMENT AND ADVISORY SERVICES

Revenue generated from financial management and advisory services was HK\$1,871,000 (2008: HK\$11,003,000). Performance of the Division was disappointed as the industry prospect turned cloudy. The bankruptcy of Lehman Brother Group caused great loss to the investors, the operators and the government. The incident ended with an unfortunate political blame and a forced buy-back penalty on the operators in solving the Lehman Mini Bonds and the whole industry is now facing serious challenges in redesigning the regulation, policy, procedure and disciplines in introducing and selling these financial structured products. The Company is waiting for clearer guidelines from the regulatory authority to balance the risk, convenience and the return for marketing these structured products. The Company is currently restricting the marketing activities to simple and matured financial products.

INVESTMENT BANKING

The Group operates its investment banking division under the subsidiary, Karl Thomson Financial Advisory Limited. Operating revenue generated by the investment banking business was HK\$350,000 (2008: HK\$660,000) during the period.

The investment banking business continued to suffer from the global financial crisis and the result was considered to be realistic in the light of very fierce capital-intensive competition. The division geared most of the efforts and resources to provide financial consultancy and advisory services for small listed companies in Hong Kong. Progress had been considered encouraging and the team had been striking hard to expand the network in China through the existing clients and partners. The drive of China enterprises to match and integrate with international financial market standard underpinned an optimistic growth in this area.

OIL AND GAS BUSINESS

The energy arm of the Group is developed through our wholly owned subsidiary, Karl Thomson Energy Ltd (“KT Energy”). KT Energy has 40% participating interest in two blocks in Egypt, Block 2 West Esh El Mallaha (“Block 2”) and Block 3 West Kom Ombo (“Block 3”).

As advised in last annual report, the Company will drill a third exploratory well within this year in Block 2. The third prospective well is named South Malak-1 which was spud on 16 August 2009. The well location is 1.9 kilometers to the southeast of the Malak-1 well. Malak-1 well is the Company’s first exploratory well drilled in 2008. The Company continues to explore the southern area because of the level of gas we found in Malak-1. The Company will know the exploration result in next month. The drilling cost of South Malak-1 on dry-hole basis will be approximately US\$1 million and will be approximately US\$1.5 million at well completion.

For Block 3, the operator Groundstar Resources Egypt (Barbados) Inc, as well as the Company’s project partner, is interpreting the seismic data. After the interpretation, drilling locations will be proposed for all partners to vote.

ASSOCIATE – ELECTROPLATING EQUIPMENT BUSINESS

The technology arm of the Group is developed through our associate, Asia Tele-Net and Technology Corporation Limited (“ATNT”). ATNT sells the electroplating technologies through three business segments – Printed Circuit Board (“PCB”), Surface Finishing and Photo Voltaic sectors.

As advised in last annual report, most of the PCB factories, whether in Asia, Europe or North America, have operated at around half capacity only from the last quarter of 2008, as the demand for consumer products dropped drastically. All expansion plan is withheld and the enquiry level has dropped to historical low. The turnover has dropped approximately 63% compared to same period of last year.

Starting from late April 2009, ATNT saw some signs showing that the activities are ramping up again. Since June 2009, more positive signs are seen including the rising demand of smartphones, the wide spread use of Netbook and the price drop in Notebook. All these have driven up the demand of PCBs. The award of the long-awaited licenses for third generation (3G) mobile networks to three telephone operators in January this year also help to stimulate demand of PCBs in short and medium term.

Unfortunately, the customers are getting more and more price conscious and at the same time, they also expect a quicker turnaround time. To meet both ends of price reduction and short delivery, the Company's strategy is to standardise the machine design and offer standard products.

The biggest challenge ahead is price erosion. ATNT is hoping that through internal engineering and sourcing effort, the Company continues to provide the state of art equipment at a reasonable cost to the customers.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

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

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 2009, the Group had shareholders' funds of approximately HK\$527,985,000 ((31 December 2008: HK\$508,288,000). The net current assets of the Group were HK\$56,117,000 (31 December 2008: HK\$61,339,000), which consisted of current assets of HK\$190,295,000 (31 December 2008: HK\$180,367,000) and current liabilities of HK\$134,178,000 (31 December 2008: HK\$119,028,000), representing a current ratio of approximately 1.42 (31 December 2008: 1.52).

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, the Group obtained short-term bank borrowings which is mainly facilitating the margin to client for the application of Initial Public Offering. As at 30 June 2009, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK\$28,230,000 (31 December 2008: HK\$38,016,000).

As at 30 June 2009, 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 0.67 (31 December 2008: 0.07).

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 2009 (31 December 2008: Nil).

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2009. 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 2009, bank deposits amounting to HK\$9,191,000 (31 December 2008: HK\$16,594,000). Bank deposits of approximately HK\$7,500,000 (31 December 2008: HK\$7,468,000) was pledged to secure banking facilities granted to a subsidiary and no margin clients' listed securities were pledged and approximately HK\$1,691,000 (31 December 2008: HK\$9,126,000) 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 2009, the total number of issued ordinary shares of the Company was 593,561,612 of HK\$0.10 each (31 December 2008: 593,561,612 shares of HK\$0.10 each).

HUMAN RESOURCES

As at 30 June 2009, the Group employed a total of 87 staff (31 December 2008: 100) of which, 42 were commissioned based (31 December 2008: 48) and the total related staff cost amounted to HK\$6,085,000 (2008: HK\$6,852,000). 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 2009 (2008: Nil).

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

During the six months ended 30 June 2009, 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 2009, 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 2009 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, 24 September 2009

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*