# 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 2010

## 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 2010 together with the comparative figures for the six months ended 30 June 2009 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| | | ***(unaudited)*** | *(unaudited)* |
| Revenue | 3 | **24,144** | 15,514 |
| Net exchange (loss) gain | | **(942)** | 2,112 |
| Other income | | **1,187** | 908 |
| (Allowance for) write-back of allowance for bad and doubtful debts | | **(7)** | 245 |
| Amortisation of intangible assets | | **—** | (3) |
| Depreciation | | **(180)** | (132) |
| Finance costs | | **(736)** | (138) |
| Staff costs | | **(5,977)** | (6,085) |
| Other expenses | | **(16,466)** | (13,736) |
| Impairment loss on exploration and evaluation assets | | **(56,969)** | — |
| Share of profit (loss) of an associate | | **2,618** | (13,098) |
| Loss before taxation | | **(53,328)** | (14,413) |
| Taxation | 4 | **—** | — |
| Loss for the period | | **(53,328)** | (14,413) |
| Other comprehensive (expense) income | | | |
| Exchange difference arising on translation | | **(10,101)** | 34,402 |
| Share of other comprehensive income (expense) of an associate | | **954** | (292) |
| Other comprehensive (expense) income for the period | | **(9,147)** | 34,110 |
| Total comprehensive (expense) income for the period | | **(62,475)** | 19,697 |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *NOTE* | ***HK$'000*** | *HK$'000* |
| | | ***(unaudited)*** | *(unaudited)* |
| Loss for the period attributable to: | | | |
| Owners of the Company | | **(39,978)** | (13,573) |
| Non-controlling interests | | **(13,350)** | (840) |
| | | **(53,328)** | (14,413) |
| Total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | **(45,701)** | 9,235 |
| Non-controlling interests | | **(16,774)** | 10,462 |
| | | **(62,475)** | 19,697 |
| Loss per share – Basic | 6 | **HK(6.28) cents** | HK(2.29) cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2010*

| | NOTES | **30 June 2010 HK$'000 (unaudited)** | 31 December 2009 HK$'000 (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Fixed assets | | **1,112** | 1,217 |
| Trading rights | | — | — |
| Exploration and evaluation assets | | **315,875** | 382,482 |
| Interest in an associate | | **105,534** | 101,962 |
| Statutory deposits | | **4,446** | 4,103 |
| Loans receivable | | **875** | 868 |
| | | **427,842** | 490,632 |
| **CURRENT ASSETS** | | | |
| Accounts receivable | 7 | **72,097** | 71,693 |
| Loans receivable | | **712** | 992 |
| Other receivables, prepayments and deposits | | **7,378** | 6,823 |
| Tax recoverable | | **10** | 82 |
| Pledged fixed deposits (general accounts) | | **7,508** | 7,504 |
| Bank balances (trust and segregated accounts) | | **85,840** | 93,517 |
| Bank balances (general accounts) and cash | | **22,322** | 20,600 |
| | | **195,867** | 201,211 |
| Assets classified as held for sale | | **15,500** | — |
| | | **211,367** | 201,211 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 8 | **95,498** | 102,907 |
| Other payables and accrued expenses | | **12,043** | 12,054 |
| Other loans | | **6,000** | 11,201 |
| Bank overdrafts | | **1,552** | — |
| Amount due to a joint venture | | **3,303** | 4,649 |
| Amounts due to directors | | **29,932** | 7,676 |
| | | **148,328** | 138,487 |
| **NET CURRENT ASSETS** | | **63,039** | 62,724 |
| **NET ASSETS** | | **490,881** | 553,356 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **63,684** | 63,684 |
| Reserves | | **367,059** | 412,760 |
| Equity attributable to owners of the Company | | **430,743** | 476,444 |
| Non-controlling interests | | **60,138** | 76,912 |
| **TOTAL EQUITY** | | **490,881** | 553,356 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

## 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 provided by the Group include stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products advising, securities margin financing and provision of corporate 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 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 2009 except as described below. During the current period, the Group has classified part of the exploration and evaluation assets as non-current assets held for sale.

**Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

In the current period, the Group has applied, for the first time, the following revised standards, amendments and interpretation ("new and revised HKFRSs") issued by HKICPA.

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

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

## 2. PRINCIPAL ACCOUNTING POLICIES – *continued*

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1] |
| HKAS 24 (Revised) | Related party disclosures[4] |
| HKAS 32 (Amendment) | Classification of rights issues[2] |
| HKFRS 1 (Amendment) | Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3] |
| HKFRS 9 | Financial instruments[5] |
| HK(IFRIC) — INT 14 (Amendment) | Prepayments of a minimum funding requirement[4] |
| HK(IFRIC) — INT 19 | Extinguishing financial liabilities with equity instruments[3] |

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[2] Effective for annual periods beginning on or after 1 February 2010

[3] Effective for annual periods beginning on or after 1 July 2010

[4] Effective for annual periods beginning on or after 1 January 2011

[5] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

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 Six months ended 30 June | | Advisory for financial management Six months ended 30 June | | Securities margin financing Six months ended 30 June | | Oil and gas Six months ended 30 June | | Total reportable segments Six months ended 30 June | | Unreportable segment - others Six months ended 30 June | | Consolidated Six months ended 30 June | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | ***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 | **13,134** | 12,523 | **9,331** | 1,871 | **1,634** | 740 | **—** | — | **24,099** | 15,134 | **45** | 380 | **24,144** | 15,514 |
| **RESULTS** | | | | | | | | | | | | | | |
| Segment (loss) profit | **(1,979)** | (1,810) | **4,136** | (544) | **1,632** | 817 | **(57,079)** | (926) | **(53,290)** | (2,463) | **36** | (156) | **(53,254)** | (2,619) |
| Unallocated expenses | | | | | | | | | | | | | **(1,750)** | (808) |
| Net exchange (loss) gain | | | | | | | | | | | | | **(942)** | 2,112 |
| Share of profit (loss) of an associate | | | | | | | | | | | | | **2,618** | (13,098) |
| Loss before taxation | | | | | | | | | | | | | **(53,328)** | (14,413) |

Segment (loss) profit represents the financial results by each segment without allocation of central administrative costs, net exchange (loss) gain and share of profit (loss) 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 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 2009 and 2010 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 profits tax is made in other jurisdictions as the subsidiaries in other jurisdictions had no assessable profits for the six months ended 30 June 2009 and 2010.

## 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 | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the period attributable to owners of the Company for the purpose of basic loss per share | **(39,978)** | (13,573) |
| **Number of shares** | ***'000*** | *'000* |
| Number of ordinary shares for the purpose of basic loss per share | **636,844** | 593,562 |

No diluted loss per share was presented as there were no potential ordinary shares during the six months ended 30 June 2009 and 2010.

## 7. ACCOUNTS RECEIVABLE

| | **30 June** | 31 December |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| Accounts receivable arising from the business of dealing in securities: | | |
| Cash clients | **23,586** | 25,761 |
| Hong Kong Securities Clearing Company Limited ("HKSCC") | **2,303** | — |
| Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts | **6,765** | 7,152 |
| Loans to securities margin clients | **36,815** | 38,247 |
| Accounts receivable arising from the business of providing corporate advisory services | **2,628** | 533 |
| | **72,097** | 71,693 |

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% at 8.25% (31 December 2009: 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 approximately HK$124,189,000 (31 December 2009: HK$152,234,000). The Group is permitted to sell or repledge the marketable securities if the customer defaults the payment.

## 7. ACCOUNTS RECEIVABLE – *continued*

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 2010** | 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Accounts receivable from corporate advisory services clients** | | |
| 0 to 90 days | **143** | 229 |
| 91 to 180 days | **2,342** | 175 |
| Over 180 days | **143** | 129 |
| | **2,628** | 533 |

| | **30 June 2010** | 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Accounts receivable from cash clients** | | |
| 0 to 90 days | **21,174** | 24,856 |
| 91 to 180 days | **2,412** | 905 |
| | **23,586** | 25,761 |

## 8. ACCOUNTS PAYABLE

| | **30 June 2010** | 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accounts payable arising from the business of dealing in securities: | | |
| Cash clients | **73,953** | 77,068 |
| HKSCC | **—** | 2,466 |
| Accounts payable to clients arising from the business of dealing in futures contracts | **17,173** | 19,477 |
| Amounts due to securities margin clients | **4,372** | 3,896 |
| | **95,498** | 102,907 |

The settlement term of accounts payable to cash clients and HKSCC is two days after the trade date and aged between 0 to 30 days.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading 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$85,840,000 (31 December 2009: HK$93,517,000) 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 month ended 30 June 2010, the total revenue for the Group was approximately HK$24,144,000 (2009: HK$15,514,000). Loss attributable to owners of the Company was approximately HK$39,978,000 (2009: HK$13,573,000). The Group registered loss as the whole business environment became more challenging and the oil business is still in investment stage. The core financial business was under pressure on very cautious sentiment and sluggish trading.

## MARKET OVERVIEW

Hong Kong stock market in the first half of 2010 was disappointed and lagged far behind the performance of European and USA markets. There were apparent fund outflows from the stock market from the international funds, retail clients and Chinese investors likely on the doldrums of the Chinese austerity measures in cooling down the overheating property market. Investors responded negatively to the bad news but became apathetic to the positive factors. In the first quarter, the major overseas markets continued to break new year records on the positive economic reading but the Hong Kong market failed to match in both index and volume performance. The Chinese property counters firstly suffered from the severe selling after the execution of credit tightening policy and soon the other sectors including bank, car, resources, new energy, consumer and utility stocks were also under aggressive profit taking for different reasons despite the release of more stimulus plans. The small counters had a short lived speculative rally but fell back rapidly and were even hammered by disaster selling in the later Euro currency crisis. Crossing over to the second quarter, the Greek Government suddenly disclosed its difficulties to honor their debt payments and asked for international assistance. The three major US credit rating agencies as usual rushed out to downgrade the credit rating for Greece and announced intention to downgrade the other four PIIGS countries of similar problems including Portugal, Ireland, Italy, and Spain. The news shocked the whole global financial market and triggered out attacks on the Euro currency which shortly slid from 1.45 to below 1.19 against US Dollar. The panic selling quickly extended to equity, resources and commodities markets on the renewed worries of the great debt exposure of the European banks and the possible double dip recession. The Dow Jones Index once faced a dumping of 1,000 points in one intra day trading session partly due to the program trading and partly due the influence of black pool market activities. Learning from the disaster outcome of the Lehman bankruptcy, the major European countries, particularly German and French stood out on time to back up the Greek problem. They have provided additional credit facilities of up to E$75 billion for the Greek government. In the meantime, various European countries of similar financial problems announced decisive plans to cut the fiscal budget. The Crisis finally faded away quickly and the destruction was shorter and less serious than the Lehman crisis. As the investor confidence recovered, the investors were willing to take higher risk to return to equity and commodities markets which all started to rebound in the beginning of second half. The markets for the first six months nonetheless ended in the negative territory. Shanghai A, Hang Seng Index (“HSI”) and H-Index dropped 26.8%, 7.97% and 10.38% to 2,398, 20,128 and 11,466 respectively. For the review period, the HSI and H-index experienced a sharp correction of 14.5% and 17.8% respectively from high to low.

The correction of Hong Kong market in the first half was understandable but the fall in the trading volume worried the industry most. Trading was generally sluggish and directionless in most of the days reflecting a trendy loss of interest and activities from investors. In particularly, the Chinese investors surprisingly turned silent. China economy and export performance remained intact and the Hong Kong economy was similarly positive. In the light of poor overseas economy, low interest environment likely stays for longer period of time, underpinning the strong property market but the same momentum and confidence were not impacted in the stock market. Hong Kong stock market still provided an efficient platform for fund raising activities of Chinese enterprises. In July, the Agricultural Bank of China successfully launched the largest historic IPO amount of US$19.2 billion worth in the combined Hong Kong and Shanghai stock market. Coupled with the steady rebound of Euro currency, equity and commodities in overseas markets, it is hoped that the investors' confidence and interest will be relighted and trading activities can be picked up again. The Central Government made clear to position Hong Kong as the international RMB offshore centre. With its international financial centre for The Greater China Region, we remain positive on the Hong Kong stock market in the long run and believe that the investors' fund will finally return upon the stronger economic performance in the region.

**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 54% of total revenue, was HK$13,134,000 (2009: HK$12,523,000). The division performance was weak as the whole stock market was poor and stagnant. In particular, the small counters suffered disaster sell-off amid the fragile sentiment and the crisis events.

**ADVISORY FOR FINANCIAL MANAGEMENT**

Revenue generated from advisory for financial management business was HK$9,331,000 (2009: HK$1,871,000). The investors' confidence cautiously recovered from the Financial Tsunami and the fund in the market became more abundant in the prevailing low interest environment. Industrial prospect of advisory for financial management business does not look positive as more tough regulatory policies are expected and the demand for sophisticated structural products will likely fall a lot. The division will focus on marketing simple and matured financial products to avoid unnecessary controversies and the variety of selling products will decrease accordingly. Thus, the availability of investment products type for client to choose is decreased and raised the challenge of the future development of the division.

On the other hand, although the overall stock market is under a cautious sentiment and sluggish trading, the division still recorded a satisfactory performance. Pushed by the economic driving engine in the People's Republic of China ("PRC"), the financial market in Hong Kong came out of the mist of the 2008 global financial crisis and will be picked up again gradually. The division will continue to expand its exposure in the PRC by providing financial consultancy and advisory services for small to medium sized companies in order to sustain the business growth. The drive of China enterprises to match and integrate with international financial market standard will continue underpinning an optimistic outlook in this area.

## SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio accounted for 7% of the Group's revenue was HK$1,634,000 (2009: HK$740,000). The division registered growth but overall investors reduced their activities and position in the directionless movement.

## OIL AND GAS BUSINESS

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

In respect of the exploratory activities in Block 2 West Esh El Mellaha ("Block 2"), the third exploratory well South Malak-1 well was not in the end established as a commercial producer despite having recovered limited quantities of oil. Nevertheless, the very encouraging shows (existence of high quality light crude oil) from South Malak-1 have provided the Group with sufficient encouragement to extend the licence into a second period, ending September 2012, which includes a commitment to drill two further exploration wells. Further drilling is unlikely in Egypt during the remainder of 2010.

## ASSOCIATE – ELECTROPLATING EQUIPMENT BUSINESS

The technology arm of the Group is developed through our associate, Asia Tele-Net and Technology Corporation Limited ("ATNT").

After a watch and see period in 2009, in about April this year, the Group saw signs of recovery in almost all Printed Circuit Board markets worldwide. Having a global sales network and a strong engineering team, ATNT has benefited from this wave of recovery. The order book has improved since quarter two. On the other hands, our customers are getting more and more price conscious. Price negotiation is indeed a major work task now. The solar industry is expected to experience rapid growth in 2010, with global Photo Voltaic demand expected to reach 4GW in the second quarter. Taking advantages of this buoyant market, equipment sales to solar sector this year is indeed quite good. Equipment sales to Surface Finishing Sector for first half this year is more or less same as last year but on yearly basis, it will be better than last year.

## MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

Pan Pacific Petroleum Egypt Pty Limited ("Pan Pacific"), a wholly-owned subsidiary of the Group, and Groundstar Resources Egypt (Barbados) Inc. ("Groundstar") entered into the agreement dated 25 January 2010 between Pan Pacific and Groundstar, pursuant to which Pan Pacific agreed to exchange its 20% participating interest in Block 3 West Kom Ombo ("Block 3") for Groundstar's 20% participating interest in Block 2 pursuant to which Pan Pacific agreed to exchange its 20% participating interest in Block 3 for Groundstar's 20% participating interest in Block 2 ("Asset Exchange Agreement"), subject to approval of the relevant regulatory authorities in Egypt.

On 18 May 2010, Pan Pacific, Aegean Energy (Egypt) Limited and Energean E&P Holdings Limited entered into the agreement pursuant to which Pan Pacific agreed to sell to Aegean Energy (Egypt) Limited or its designated nominee its 20% participating interest in the Block 3 concession and the joint operating agreement entered into between Groundstar and Pan Pacific on 28 November 2006 in respect of the Block 3 concession (the "Agreement"). The consideration for the disposal is cash of US$ 2,000,000 (equivalent to approximately HK$15,600,000).

Upon completion of the Asset Exchange Agreement and the Agreement, the Group will have no interest in the Block 3.

**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 2010, the Group had shareholders' funds of approximately HK$490,881,000 (31 December 2009: HK$553,356,000). The net current assets of the Group were HK$63,039,000 (31 December 2009: HK$62,724,000), which consisted of current assets of HK$211,367,000 (31 December 2009: HK$201,211,000) and current liabilities of HK$148,328,000 (31 December 2009: HK$138,487,000), representing a current ratio of approximately 1.42 (31 December 2009: 1.45).

The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, loans from third parties and financial institutions, and equity financing. During the period, the Group obtained short-term bank borrowings and short-term third parties loans which is mainly facilitating the margin to client for the application of Initial Public Offering and daily operations and investments. As at 30 June 2010, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$22,322,000 (31 December 2009: HK$20,600,000).

As at 30 June 2010, 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 1.5 (31 December 2009: 2).

**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 2010 (31 December 2009: Nil).

## CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2010. 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 2010, bank deposits amounting to approximately HK$7,508,000 (31 December 2009: HK$7,504,000) was pledged to secure banking facilities granted to a subsidiary and no margin clients' listed securities were pledged.

## CAPITAL STRUCTURE

As at 30 June 2010, the total number of issued ordinary shares of the Company was 636,843,612 of HK$0.10 each (31 December 2009: 636,843,612 shares of HK$0.10 each).

## HUMAN RESOURCES

As at 30 June 2010, the Group employed a total of 86 staff (2009: 87) of which 41 were commissioned based (2009: 42) and the total related staff cost amounted to HK$5,977,000 (2009: HK$6,085,000). 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.

## FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 30 June 2010 (2009: Nil).

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

During the six months ended 30 June 2010, 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 2010, 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 2010 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, 27 August 2010

*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*