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 2011

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 2011 together with the comparative figures for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
		2011	2010
	NOTES	***HK\$'000***	*HK\$'000*
		(unaudited)	*(unaudited)*
Revenue	3	**17,432**	24,144
Net exchange gain (loss)		**868**	(942)
Other income		**833**	1,187
Allowance for bad and doubtful debts		**(1,147)**	(7)
Depreciation		**(207)**	(180)
Finance costs		**(1,262)**	(736)
Staff costs		**(7,071)**	(5,977)
Other expenses		**(14,964)**	(16,466)
Impairment loss on exploration and evaluation assets		**(13,800)**	(56,969)
Share of profit of an associate		**3,742**	2,618
Loss before taxation		**(15,576)**	(53,328)
Taxation	4	**—**	—
Loss for the period		**(15,576)**	(53,328)
Other comprehensive income (expense)			
Exchange difference arising on translation		**12,475**	(10,101)
Share of other comprehensive income of an associate		**1,478**	954
Other comprehensive income (expense) for the period		**13,953**	(9,147)
Total comprehensive expense for the period		**(1,623)**	(62,475)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – *continued*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
		2011	2010
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	*(unaudited)*
Loss for the period attributable to:			
Owners of the Company		**(14,474)**	(39,978)
Non-controlling interests		**(1,102)**	(13,350)
		(15,576)	(53,328)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(5,096)**	(45,701)
Non-controlling interests		**3,473**	(16,774)
		(1,623)	(62,475)
Loss per share – Basic	6	**HK(2.27) cents**	HK(6.28) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTES	**30 June 2011 HK$'000 (unaudited)**	31 December 2010 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets		**1,119**	985
Trading rights		—	—
Exploration and evaluation assets		**335,085**	320,005
Interest in an associate		**126,576**	121,356
Statutory deposits		**5,152**	4,423
Loans receivable		**666**	765
		468,598	447,534
CURRENT ASSETS			
Accounts receivable	7	**75,772**	76,996
Loans receivable		**429**	533
Other receivables, prepayments and deposits		**6,122**	8,204
Tax recoverable		**16**	—
Pledged fixed deposits (general accounts)		**7,518**	7,513
Bank balances (trust and segregated accounts)		**90,683**	95,330
Bank balances (general accounts) and cash		**18,063**	19,306
		198,603	207,882
Assets classified as held for sale		—	15,500
		198,603	223,382
CURRENT LIABILITIES			
Accounts payable	8	**111,894**	111,240
Other payables and accrued expenses		**10,263**	11,892
Other loans		—	2,280
Bank overdrafts		**3,256**	7,221
Amount due to a joint venture		**2,943**	2,943
Amounts due to directors		**41,844**	36,716
		170,200	172,292
NET CURRENT ASSETS		**28,403**	51,090
NET ASSETS		**497,001**	498,624
CAPITAL AND RESERVES			
Share capital		**63,684**	63,684
Reserves		**373,616**	378,712
Equity attributable to owners of the Company		**437,300**	442,396
Non-controlling interests		**59,701**	56,228
TOTAL EQUITY		**497,001**	498,624

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) — INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments

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

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[2]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013.

2 Effective for annual periods beginning on or after 1 July 2012.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 are new or revised standards on consolidation, joint arrangements and disclosures which were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

The directors are assessing the impact of the application of these new or revised standards on the results and financial position of the Group. Such impact will be disclosed in future consolidated financial statements of the Group upon completion of the assessments.

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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**10,922**	13,134	**4,969**	9,331	**1,515**	1,634	**—**	—	**17,406**	24,099	**26**	45	**17,432**	24,144
RESULTS														
Segment (loss) profit	**(3,840)**	(1,979)	**1,125**	4,136	**1,411**	1,632	**(14,918)**	(58,021)	**(16,222)**	(54,232)	**14**	36	**(16,208)**	(54,196)
Unallocated expenses													**(3,110)**	(1,750)
Share of profit of an associate													**3,742**	2,618
Loss before taxation													**(15,576)**	(53,328)

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

The total assets of the Group at the end of the interim period 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 2010 and 2011 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 had been made in other jurisdictions as the subsidiaries in other jurisdictions had no assessable profits for the six months ended 30 June 2010 and 2011.

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	
	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(14,474)**	(39,978)
Number of shares	***'000***	*'000*
Number of ordinary shares for the purpose of basic loss per share	**636,844**	636,844

No diluted loss per share was presented as there were no potential ordinary shares during the six months ended 30 June 2010 and 2011.

7. ACCOUNTS RECEIVABLE

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
Accounts receivable arising from the business of dealing in securities:		
Cash clients	**25,803**	33,690
Hong Kong Securities Clearing Company Limited ("HKSCC")	**—**	11,759
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**12,164**	8,893
Loans to securities margin clients	**37,513**	22,037
Accounts receivable arising from the business of providing corporate advisory services	**292**	617
	75,772	76,996

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

Loans to securities margin clients are repayable on demand and bear interest at Hong Kong Prime Rate quoted by Wing Hang Bank plus 3% equivalent to 8.25% (31 December 2010: 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 2010: HK$269,407,000). The Group is permitted to sell or repledge the marketable securities if the customer defaults the payment as requested by the Group.

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 2011	31 December 2010
	HK$'000	*HK$'000*
Accounts receivable from corporate advisory services clients		
0 to 90 days	**152**	—
91 to 180 days	**—**	125
Over 180 days	**140**	492
	292	617
Accounts receivable from cash clients		
0 to 90 days	**23,728**	32,500
91 to 180 days	**2,075**	1,190
	25,803	33,690

8. ACCOUNTS PAYABLE

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
Accounts payable arising from the business of dealing in securities:		
Cash clients	**77,416**	89,809
HKSCC	**7,376**	—
Accounts payable to clients arising from the business of dealing in futures contracts	**21,052**	18,496
Amounts due to securities margin clients	**6,050**	2,935
	111,894	111,240

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$90,683,000 (31 December 2010: HK$95,330,000) 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 2011, the total revenue for the Group was approximately HK$17,432,000 (2010: HK$24,144,000). Loss attributable to owners of the Company was approximately HK$14,474,000 (2010: HK$39,978,000). The Group ended with loss though the business recovery of the associate, Asia Tele-Net and Technology Corporation Limited ("ATNT") continued to make some positive contribution. The financial business environment remained unfavourable as retail clients continued to exit from the market in view of the declining trend and poor trading volume.

MARKET OVERVIEW

Persistent selling on Hong Kong equities extended to the first half of 2011. The austerity measures of Chinese government restricted Chinese investors from investing in the stock market and many of the enterprises were instead forced to raise funds in Hong Kong. Investors' anxieties on old factors of credit tightening in China, debt crisis of 5 European PIIGS countries and the stagflation problem of US economy now extend further onto the possible hardlanding of Chinese economy and the credit scandals of the various Chinese private enterprises. Investors turned bearish on the stock performance and started to find all kind of excuses to liquidate shares. The credit tightening has put pressure on interest sensitive stocks including Chinese property counters and banks. Research reports highlighted suspicious alert on the actual greater size exposure of debt owed by the provincial governments raising higher risks for the Chinese banks. The stocks with new energy and materials were sold on worries of over investment and over supply. The rail stocks were hard hit after a rail accident in China in July which queried the safety of the Chinese technology and this might slow down the investment and development speed. A fresh round of panic selling on Chinese enterprises started after Carson Block of Muddy Waters Research questioned the inappropriate accounting practice of Sino-Forest Corporation listed in Toronto. The stock fell over 80% within days and its subsidiary Greenheart Group Limited listed in Hong Kong also suffered similar slide. Subsequently, other debt rating agencies joined with alert reports on the Chinese private enterprises. Moody introduced red flags alerts on 61 Chinese enterprises whilst Fletch pointed out the refinancing difficulties on 35 enterprises. Investors rushed to dump various Chinese private enterprises associated with grounded or ungrounded negative reports in US and Hong Kong. Much of the selling was suspected to be related to the manipulation activities of the hedge funds which were suspected to have built big short selling position ahead of the negative reports. Macau casino and the luxury retail counters were the only strong performers among a few mostly likely due to the strong consumption power of Chinese tourists. Indices fluctuated within a wide range but volume was disappointed. Hang Seng Index, H-Index and Shanghai Index all dropped 637, 115 and 46 respectively to 22398, 12577 and 2762. The average daily turnover could only be around HK$60 billion despite the extended trading hours and the listing more corporations.

Hong Kong economy continued to benefit from the strong Chinese economy. Low interest rate will likely stay for months ahead and should support the equity market. Chinese inflation looks to be peaked in the second half and further tightening may not be needed. After heavy selling, the prices fell to a very attractive value level for medium and long term investment. HS Index now represents below 10x p/e and over 3% yield. Many big Chinese giants fell to single digit p/e with over 4% yield. As soon as long term investors enter the market, investors' confidence can recover gradually. Yet, the fundamental values are temporarily ignored and overshadowed by the financial turmoil in overseas.

The downgrade of US Government Bond by the Standard & Poor's triggered a disaster selling in global equities markets with scale comparable as mini-tsunamis. All major stock market rapidly fell over 20% just alone in early August. On top of competition from banks, the industrial environment faces new challenges from the development of dark pool and high frequency trades. The growing organised trading activities of hedge funds backed up with research reports make the market more manipulative. Moreover, the Hong Kong Stock Exchange was proposing some controversial reforms which are unfavourable to local brokers. Generally, they only add more cost burdens and favour big manipulators at the expense of retail clients. Technically, the stock market enters bearish cycle and trading is expected to be cautious in the second half as investors' sentiment are still vulnerable to the economic problems in overseas.

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 63% of total revenue, was HK$10,922,000 (2010: HK$13,134,000). The division performance was poor as retail investors continued to exit from the market in the light of directionless volatile movement and low trading turnover. Investors were further hurt and scared by the disaster sell-off on the Chinese private enterprises on the financial scandal reports of some enterprises.

ADVISORY FOR FINANCIAL MANAGEMENT

Revenue generated from advisory for financial management business was HK$4,969,000 (2010: HK$9,331,000. Our investment banking team operated its business through our subsidiary, Karl Thomson Financial Advisory Limited, Although the financial sector in Hong Kong had been buoyant over the period under review, business environment for the investment banking division remained competitive as the corporate finance advisory business was dominated by the large investment banks in Hong Kong. Despite of such environment, the division continued to focus its strategy on niche clients and assignments, and therefore, be able to secure and complete a number of assignments. The division's strategy has been to provide a wide range of financial advisory services to mostly listed companies in Hong Kong, including arranging debt and equity capital market transactions, advising on private equity investments, and advising on merger and acquisition transactions.

Financial management and advisory division turned weaker as investors became more conservative in the light of very uncertain investment and economic environment. The company is watching closely on the development of overseas RMB business in Hong Kong and will explore the opportunities to promote RMB related investment products.

SECURITIES MARGIN FINANCING

During the year under review, interest income generated from securities margin loan portfolio was HK$1,515,000 (2010: HK$1,634,000). In view of the volatile fluctuation, overnight position of the retail clients remained cautious and low as investors' confidence was weak.

OIL AND GAS BUSINESS

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

KTE entered an Amended and Restated Agreement on 15 August 2011 with details disclosed under the section "Material acquisition and disposals of companies" below. Block 3 West Kom Ombo ("Block 3") is a highly unexplored block with very sparse geological and geophysical data coverage. Further substantial cost in exploration activities is expected. In order to earn the continuation of the exploration license, the minimum requirement is to drill two more wells by September 2014. By entering into the Agreement, the Group is free from investing further to the exploration activities in Block 3.

The general situation in Egypt is far from peaceful. The pipeline in the Egyptian Sinai has been bombed by unidentified assailants five times since the ousting of Hosni Mubarak in mid-February. This brought disruption in sending gas flow to nearby countries including Israel. Economically, Egypt is struggling. Analysts said revenue from export and tourism has dropped sharply and the economic growth forecasts have been slashed from nearly 6 percent for fiscal 2010-2011 to roughly 2.5 percent. Politically, the country remains fragile. In late June, a peaceful protest in Tahrir Square turned into a night of clashes between the police and protesters in which more than 1,000 people were injured. It is hoped that as more clarity emerges with the expected parliamentary elections in September and the presidential elections possibly as early as November, some of the political pressure may ease.

Given that the Group is not fully comfortable that all ripple effect of the unrest in Egypt is settled, the Company would remain cautious before finalising any development plan in Egypt.

ASSOCIATE - ELECTROPLATING EQUIPMENT BUSINESS

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

ATNT has seen a significant increase in revenue, an increase from approximately HK$219.4 million of last year to approximately HK$386.5 million. However, the gross profit margin has dropped by 6.4%. This was mainly due to the further increase in global commodity price which leads to general material price increase. Besides that, appreciation in Renminbi and higher labor costs in China due to general salary increase in 2011 had also contributed to the slide in the gross profit margin.

The overwhelming demand for certain consumer electronic products mainly i-Phone, i-Pad, smartphones and tablet PC have continued to power the growth in the PCB markets. The improvement in surface finishing ("SF") sector was mainly due to improvement in the market sentiment and the recognition of the established brand name of Pal Surface Treatment System Ltd.

The growth momentums of consumer electronics products are set to continue in 2011 if the global economy could continue to pick up steadily. However, our associate ATNT will remain cautious as Europe and USA are still mired with sovereign debt crisis and unemployment issues. An abrupt change in the economic environment in these regions will definitely halt all fixed asset investment and scale down our SF revenue growth.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

On 13 April 2011, the Company announced the lapse of the sales agreement ("Block 3 Sales Agreement) between the KTE and Aegean Energy (Egypt) Limited ("Aegean Energy") signed on 18 May 2010. Subject to certain conditions, KTE agreed to sell and Aegean Energy agreed to purchase 20% participating interest in the Block 3 concession and the Block 3 joint operating agreement at a consideration of US$2,000,000. As the conditions were not met on or before 31 March 2011, the Block 3 Sales Agreement was terminated by the Purchaser in early April.

On 15 August 2011, the Company's wholly-owned subsidiaries, KTE and Pan Pacific Petroleum Egypt Pty Limited ("PPP"), entered into the amended and restated asset exchange agreement (the "Revised Asset Exchange Agreement") with Groundstar Resources Egypt (Barbados) Inc ("Groundstar") to amend and restate the agreement dated 25 January 2010 entered into between PPP and Groundstar, as supplemented on 8 November 2010 and 8 April 2011, respectively. Pursuant to the terms of the Revised Asset Exchange Agreement, Groundstar agreed to transfer to PPP the 20% undivided participating interest in the Block 2 West Esh El Mallaha ("Block 2") Concession and the Block 2 JOA held by Groundstar as derived and held pursuant to the Block 2 Farmin, the Block 2 Concession and the Block 2 JOA (the "GRE Participating Interest") and certain casing inventory, in consideration of which, PPP agreed to transfer to Groundstar the Additional Interest and the Swap Interest (the "PPP Participating Interest") and refund to Groundstar the balance of US$379,943.19 held by KTE on trust for Groundstar in respect of a portion of the security for the obligations of the contractor under the WEEM Concession attributable to the GRE Participating Interest (the "Trust Money").

By entering into the Agreements, the Group is free from investing further to the exploration activities in Block 3. Given that the Company is not yet fully comfortable that all ripple effect of the unrest in Egypt is settled, the Company would adopt a prudent approach by withholding any drilling plan in Block 2 in near term. The Company will continue to explore other investment opportunities in exploration or production block in other areas.

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 2011, the Group had shareholders' funds of approximately HK$497,001,000 (31 December 2010: HK$498,624,000). The net current assets of the Group were HK$28,403,000 (31 December 2010: HK$51,090,000), which consisted of current assets of HK$198,603,000 (31 December 2010: HK$223,382,000) and current liabilities of HK$170,200,000 (31 December 2010: HK$172,292,000), representing a current ratio of approximately 1.17 (31 December 2010: 1.30).

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 2011, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$18,063,000 (31 December 2010: HK$19,306,000).

As at 30 June 2011, 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 (31 December 2010: 2).

CONTINGENT LIABILITIES

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. As at 30 June 2011, HK$1,008,000 (31 December 2010: HK$1,456,000) of such facilities was utilised by the subsidiary to facilities daily operation.

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2011. 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 2011, bank deposits amounting to approximately HK$7,518,000 (31 December 2010: HK$7,513,000) and listed securities held by margin clients with market value amounting to approximately HK$18,710,000 (31 December 2010: HK$19,470,000) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 30 June 2011, the total number of issued ordinary shares of the Company was 636,843,612 of HK$0.10 each (31 December 2010: 636,843,612 shares of HK$0.10 each).

HUMAN RESOURCES

As at 30 June 2011, the Group employed a total of 80 staff (2010: 86) of which 37 were commission based (2010: 41) and the total related staff cost amounted to HK$7,071,000 (2010: HK$5,977,000). 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 2011 (2010: Nil).

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

During the six months ended 30 June 2011, 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 2011, the Company has adopted the Model Code under Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code and the Code during the period under review.

AUDIT COMMITTEE

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

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

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is composed of 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 2011 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, 25 August 2011

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*