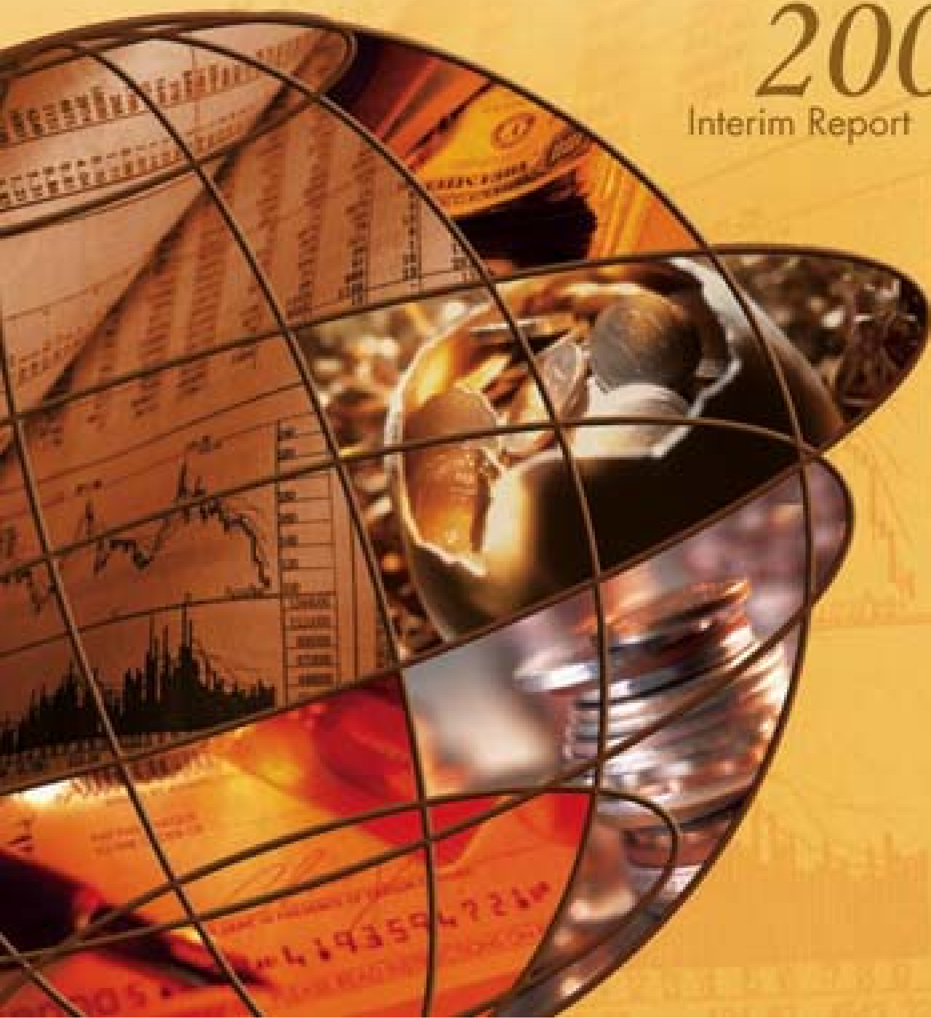
Karl Thomson Holdings Limited
高信集團控股有限公司
(incorporated in Bermuda with limited liability)
Stock Code: 7

2006
Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors:
LAM Kwok Hing *(Chairman)*
NAM Kwok Lun
(Deputy Chairman and Managing Director)

Independent Non-executive Directors:
CHEN Wei-Ming Eric
KWAN Wang Wai Alan
NG Chi Kin David

Audit Committee

CHEN Wei-Ming Eric
KWAN Wang Wai Alan
NG Chi Kin David

Remuneration Committee

LAM Kwok Hing
NAM Kwok Lun
CHEN Wei-Ming Eric
KWAN Wang Wai Alan
NG Chi Kin David

Qualified Accountant and Company Secretary

LUI Choi Yiu Angela

Authorised Representatives

LAM Kwok Hing
NAM Kwok Lun

Resident Representative and Assistant Secretary

Appleby Corporate Services
(Bermuda) Limited

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

Unit 801, Tower One
Lippo Centre
89 Queensway
Hong Kong

Principal Share Registrar and Transfer Office

Reid Management Limited
Argyle House
41A Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Standard Registrars Limited
26 Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Bankers

Wing Hang Bank, Limited
Hang Seng Bank Limited
Liu Chong Hing Bank Limited
Chiyu Banking Corporation Limited

Solicitors

Sidley Austin Brown & Wood International
Law Firm

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

7

Contacts

Telephone : (852) 2877 9266
Facsimile : (852) 2810 9282
Website : www.ktg.com.hk

CHAIRMAN'S STATEMENT

I am pleased to announce to the shareholders the unaudited consolidated results of Karl Thomson Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the six months ended 30 June 2006.

For the six months ended 30 June 2006, profit attributable to shareholders amounted to HK$15,253,000 (2005: HK$8,255,000), equivalent to earnings per share of HK3.30 cents (2005: HK1.79 cents).

The Iran nuclear program, North Korea missiles and Middle East confrontation incidents heightened the geo-political risks for the world economy and caused additional volatilities to the financial and commodities market. Yet, overall world economy registered modest growth with outstanding performance in the countries of BRIC (Brazil, Russia, India and China). To balance the international interests and to avoid the economy overheating problems, the Chinese Government has been extending austerity measures to curb the pace of fixed asset investment and cool down the overheating property market. The recent release of strong economic data for the first half of 2006 caused doubts and worries on possible hard-landing of China economy in months ahead.

As the soaring oil and commodities prices had risen significantly, the inflation would be pushed up. The United States interest rates had been raised consecutively 17 times to 5.25% for federal fund but still did not get a conclusive sign of short term peak. The renewed worries about inflation, interest over-hikes and stagflation were dampening the investment sentiment and hurting the economy of overseas markets. The recent comments of Federal Chief Bernanke in July hinted a soft-landing of the economy which would limit the inflation pressure. This latest comments signified a pause and possibly an end to the two years interest rate hikes. Together with the recent release of slowdown data, they helped to alleviate the market jitters.

The economy of Hong Kong for the first half of 2006 remained resilient though it faced increasing inflation pressure and greater external uncertainties. GDP registered a strong growth of 8.0% and 5.2% respectively for the first and second quarter. This marked the eleventh consecutive quarter that GDP growth exceeded the average trend growth of 3.9% in the past ten years. The performance in domestic consumption was remarkable. The advance was driven by broad-based gains in tourist, trades, finance and service industry despite weak construction industry. The employment situation continued to improve in both quality and quantity. Unemployment rate stood comfortably at 4.9% of nearly five year low for the period of May to July 2006. Total employment hit all time high of over 3.45 million by 30 July of 2006. The growing optimism of the general public with higher income earning had underpinned the domestic consumption positively. Visitors to Hong Kong maintained a satisfactory increase of 11.1% to 12.19 millions for the first half of 2006 on a more diversified growth base. The high interest rates had already depressed the local property market. The local inflation was also under cost pressure to escalate though it was still at an acceptable level. The Consumer Price Index crept up by 2.3% by July this year. The strong expansion of Chinese export business increased conflicts with the Western industrialized countries and that threatened the trade development of Hong Kong.

OUTLOOK

The Group made satisfactory progress in its operating business. The overall financial business registered growth with remarkable performance in the asset management division. In future, more solid and diversified products will be developed to meet the growing sophisticated investment environment. The associate, Asia Tele-Net And Technology Corporation Limited ("ATNT") continued to provide an additional stable income source.

The new investment project of Egypt WEEM Oil Field was successfully completed and progressed as scheduled. Since the Egyptian Parliament had approved the concession in May, the concession agreement was signed by the Ministry of Petroleum on 17 September. It was now proceed the preparation of actual drilling. I feel confident that the Group will soon have encouraging growth in the years ahead as soon as the new projects are successfully implemented. In the first half of 2006, the global economy growth stimulated demand for energy and natural resource products and their prices were subsequently pushed up. The strong economy of China had further reinforced such demand. Since this tight supply and demand market situation would not be relaxed in the short term, the prices could hardly fall significantly. As for the oil products, the price started to rally from USD20 per barrel in 2002 to challenge the new historic of USD80 for the past four years. In the mid-2006, it stood firmly above USD70 though it recently fell to USD60. According to the analysis of most professional bodies, the demand for oil was still increasing but the supply was not seen corresponding expansion. The oil company Chevron just discovered a new oil field in the Mexican off-shore deep sea, it was proved to be capable of producing 6,000 barrels daily and was the largest deep sea oil field over the past 40 years yet it took at least 5 to 6 years to achieve real production. As the supply in matching the increasing demand remained shortfall, the oil price would still be see-sawing upward. The Group keeps optimistic towards the oil market and is looking for good investment opportunities to strengthen its upstream oil business.

APPRECIATION

I would like to take this opportunity to thank my fellow directors for their guidance and support and express my appreciation to the management team and diligent employees for their commitment and loyal service. I would also wish to thank my customers and shareholders for their continued support.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2006, the total revenue for the Group was approximately HK$25,584,000 (2005: HK$16,414,000). Net profit attributable to shareholders was approximately HK$15,253,000 (2005: HK$8,255,000) mainly attributing to the impressive performance of core financial business as a result of buoyant investment market and additional contribution from ATNT.

MARKET OVERVIEW

During the period under review, growth, inflation and stagflation had been the main themes to dictate the direction of the stock market which was characterized by volatile trading as a result of the radical and nervous investor sentiment. The stock market surged rapidly to hit records successively towards May in line with bullish rally of major overseas equity and commodities markets. Investors had been optimistic on the growth of the world economy and rushed to pick up growth related instruments. In particular, the newly listed sizable H shares with good post-listing performance attracted active speculative trading activities with share prices shot up shortly by more than 50%. Energy, resource, property, finance and insurance stocks were other major targets for buying and shopping rotated across these sectors especially those with strong China market background. Other sectors remained unattractive for various reasons. The transport sector, industrial counters and retails stocks were victims of high energy prices, high material cost and escalating rents. The Hang Seng Index hit a five year high of 17328 and H-index made a historic record of 7468 in mid-May. By late May, repeated interest rate hikes in United States finally fired worries about the inflation problem on persistent high oil and commodities prices and the possible stagflation brought by interest rate over-hikes. Sentiment suddenly turned extremely bearish and to some extent irrationally nervous. The sell-offs from both institutions and retail investors were massive and panicky, triggering aggressive dumping across the equity and commodities markets. The stock market of major regions tumbled steeply by 9% to 30%. The forthcoming implementation of a series of austerity measures by the Chinese Government to cool down the fixed investment growth and property market evoked fresh anxieties on the hard-landing China economy. The subsequent deterioration of North Korea Missile Tests and Middle East confrontation further depressed the sentiment and extended the correction period. The Hang Seng Index faced a milder retreat of 12% from peak to bottom in view of its smaller exposure to the commodities market and gradually recovered to end at 16267, about 9% higher than the index at the end of 2005 and only 6% below the year high. The H-index suffered greater correction of 21% but managed to rebound strongly to close at 6784, a mighty gain of 27% over the end of 2005 and about 9% below the year high, on continued positive outlook of China economy. During the review period, the merge and acquisition activities were also active. The selling of the major shareholdings of PCCW Limited and the acquisition of Dragonair by Cathay Pacific represented the greatest transactions.

The whole broker industry in general gained from the active market in the first half of 2006. Yet, the growing volatility of the trading increased risk for both clients and proprietors. It brought greater credit and investment risks for the operators. The development of the industrial environment was not favourable to the local brokers. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") proceeded to enforce the narrowing of the price spreads for most stocks and it would inevitably discourage day-trade activities of small investors with limited capital. With settlement convenience and good credit ratings, the banks continued to capture market shares from the pure broker operators.

The Hong Kong stock market for the first half of 2006 outperformed the average overseas market mainly due to the strong China economy growth. The China economy was reported to record an astonishing growth of 10.9% for the first half of 2006 and was forecast to achieve more than 9% for the full year. These favourable China factors still prevail and provide the driving force for the Hong Kong economy. The recent international conflicts remain in check and would enter lengthy negotiations behind the scenes. As the conflicts would unlikely be settled in the short term, they may increase uncertainties for the investment market and occasionally cause short-term turbulences. While the sentiment becomes more fragile and sensitive, the stock market is expected to fluctuate more vigorously within wide ranges for the rest of the year. The increasing volatility scares the retail investors and will discourage their participation in the stock market. The tightening measures of China in cooling down the economy have resulted in more selective trading in favour of the finance and insurance stocks. HSI Services Limited finally initiated change in its index weighting shifting to a free-float-based from full-market-value-based with a maximum weighting cap of 15% for any individual stock. The Hang Seng Index would include a maximum of five H-shares in the constituent stocks to reflect the growing presence of mainland Chinese companies in the Hong Kong market. Such move would further reinforce the investment interests in those potential H-shares. The resources counters will move in tandem with the international commodities markets. Nonetheless, a fuller recovery of investor confidence over broader sectors requires the release of more consistent and convincing data in regard to the inflation and interest rate in United States and the actual pace of China economy. The listing of more quality H-shares may hopefully rekindle investment interests and stimulate more trading activities. The Industrial and Commercial Bank of China representing the greatest fund raising of HK$170 billion in both the A and H share markets has been scheduled in mid-October and is expected to bring a climax to the market.

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 45.59% of total operating revenue, was HK$11,663,000 (2005: HK$6,620,000). Profit for the division was HK$2,394,000 (2005: HK$364,000). The division managed to almost double its revenue mainly attributing to the buoyant stock market. The bullish sentiment on the newly listed H-shares and the China related counters sustained active trading for the most period of the first half of 2006. As sentiment turned to be more cautious, revenue may only be steady for the rest of the year. The local market became saturated and more competitive. The division is putting more emphasis on developing the China market. Efforts are being made to establish strategic relationship with the Chinese broker to explore business for both regions.

SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio accounted for 4.78% of the Group's revenue was HK$1,222,000 (2005: HK$1,205,000). Profit for this division reached HK$1,225,000 (2005: HK$3,109,000). Income ended steady as the demand brought by the increase of the trading activities of the clients was depressed by the growing volatility and high interest rate. The Group maintained consistently prudent and flexible margin financing policy to minimize its risk exposure in the volatile market environment in order to achieve high profitability for our shareholders.

FINANCIAL MANAGEMENT AND ADVISORY SERVICES

Revenue generated from financial management and advisory services was HK$11,982,000 for the period under review (2005: HK$7,626,000). Although the market remained volatile during first six months, business increased substantially after dedicated effort in carrying out more aggressive marketing promotions and reorganizing the sales force. In order to strengthen our competitive advantage, we are going to enhance our website and online platform to provide greater convenience and efficiency for our consultants and clients.

INVESTMENT BANKING

Operating revenue generated by the investment banking business reached HK$660,000 for the period under review. Although the financial sector in Hong Kong has enjoyed substantial growth over the period under review, business environment for the investment banking division remains competitive as the corporate finance advisory business is dominated by the top investment banks in Hong Kong. In view of such environment, the division continues to focus its strategy on niche clients and assignments, and at the same time, is keeping an extremely cost effective structure. The division has been providing a wide range of financial advisory services, including arranging debt and equity capital market transactions, advising on private equity investments, and advising on merger and acquisition transactions, to a group of core clients.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSOCIATE COMPANIES

On 7 April 2006, the group has acquired 15% beneficial interest in the WEEM oil field in Egypt (the "Oil Field") through its 50% interest of Oriental Victor Limited. In the subsequent shareholding changes on 3 August 2006, the Group has increased its beneficial interest in the Oil Field from 15% to 20%. According to the agreement, the Group will contribute capital commitment of US$7,000,000 (approximately HK$54,600,000) by way of shareholder's loan in stages.

The other shareholders of the Oil Field all were the reputable experts in the industry including Volant Petroleum Ltd. (the Australian listed oil company), Groundstar Resources Ltd. (the Canadian listed oil company), and Aminex PLC (the British listed oil company). The project partners of the Group can not only bring the expertise knowledge to the operation of the oil field but also help to coordinate the allocation of the resources.

Apart from this, there was no material acquisition and disposal of companies during the period.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group generally finances its operation with internally generated cash flows. The Group has no bank borrowings apart from occasional utilization of overdraft facilities. As at 30 June 2006, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$43,683,000 (2005: HK$14,294,000).

HUMAN RESOURCES

As at 30 June 2006, the Group employed a total of 136 staff (2005: 128), of which 81 were commissioned based (2005: 76) and the total related staff cost amounted to HK$5,374,000 (2005: HK$5,273,000). The Group maintained minimum overhead expenses to support the basic operation and dynamic expansion of its business. The future staff costs will be more directly linked to the performance of business revenue and profit, enabling the Group to respond flexibly with the changes of business environment.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: Nil).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

At 30 June 2006, the Directors and chief executives of the Company had the following interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

1. Long positions in the ordinary shares of HK$0.10 each of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Lam Kwok Hing *(Note)*	Interest of controlled corporation	311,718,000	63.10%
Mr. Nam Kwok Lun *(Note)*	Interest of controlled corporation	311,718,000	63.10%

Note: The shares are registered in the name of and beneficially owned by J&A Investment Limited ("J&A"). The entire issued share capital of J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

2. Long positions in the ordinary shares of HK$0.01 each of ATNT

Name of Director	Number of issued ordinary shares held Personal interests	Corporate interests (Note)	Total	Percentage of the issued share capital of ATNT
Mr. Lam Kwok Hing	3,474,667	48,520,666	51,995,333	12.19%

Note: The shares are registered in the name of and beneficially owned by Medusa Group Limited ("Medusa"). The entire issued share capital of Medusa is wholly owned by Mr. Lam Kwok Hing. Also, Karfun Investments Limited ("Karfun"), a wholly-owned subsidiary of the Company, in which Mr. Lam Kwok Hing owns interests through J&A, is interested in 201,995,834 ATNT shares.

In addition to the above, one of the Directors has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the Directors or the chief executives of the Company had an interest or a short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of the SFO) that was required to be recorded under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or chief executives or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares of the Company or any other body corporate.

SHARE OPTION SCHEME

1. The Company

Pursuant to the share option scheme of the Company approved at the annual general meeting held on 7 September 2004 (the "Share Option Scheme"), the Board may at its discretion, invite any employees (whether full-time or part-time), executives or officers of the Company and any of its subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who the Board considers will contribute or have contributed to the Company or any of its subsidiaries (the "Eligible Participants"), to take up options to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide incentives to the Eligible Participants. The Share Option Scheme will expire on 6 September 2014.

No options have been granted to the Eligible Participants under the Share Option Scheme during the period under review.

2. ATNT

At the annual general meeting held on 13 June 2005, an ordinary resolution had been passed to terminate the share option scheme of ATNT approved by the shareholder of ATNT on 1 January 2001 (the "ATNT Old Option Scheme") and adopt of the new share option scheme (the "ATNT New Option Scheme"). Pursuant to the ATNT New Option Scheme, the Board may at its discretion, invite any employees (whether full-time or part-time), executives or officers of ATNT and any of its subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who the Board considers will contribute or have contributed to ATNT or any of its subsidiaries (the "Eligible Participants"), to take up options to subscribe for shares in ATNT. The purpose of the ATNT New Option Scheme is to provide incentives to the Eligible Participants. The ATNT New Option Scheme will expire on 12 June 2015.

During the period, all options granted under the ATNT Old Option Scheme were lapsed and no options were outstanding under the ATNT Old Option Scheme. No options have been granted to the Eligible Participants under the ATNT New Option Scheme since the adoption of ATNT New Option Scheme.

Save as disclosed above, as at 30 June 2006, none of the Directors or chief executives, nor their associates had any interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), and none of the Directors or chief executives, nor their spouses or children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the review period.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2006, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in ordinary shares of HK$0.10 each of the Company

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
J&A *(Note)*	311,718,000	63.10%

Note: J&A is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, no person (other than the Directors and chief executives of the Company whose interests are set out under the heading "Directors' and Chief Executives' Interests" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period under review was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

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 an independent review report. 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.

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 long-term implementation of any 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 2006, 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.

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

By Order of the Board
Lam Kwok Hing
Chairman

27 September 2006

INDEPENDENT INTERIM REVIEW REPORT

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF KARL THOMSON HOLDINGS LIMITED

Introduction

We have been instructed by Karl Thomson Holdings Limited to review the interim financial report set out on pages 18 to 30.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Six months ended	
		30 June	30 June
		2006	2005
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	*(unaudited)*
Revenue	*3*	**25,584**	16,414
Other income		**1,011**	317
Write-back of allowance for bad and doubtful debts		**854**	4,505
Allowance for bad and doubtful debts		**(30)**	(369)
Amortisation of intangible assets		**(2)**	(3)
Depreciation		**(368)**	(831)
Finance costs		**(57)**	(16)
Other operating expenses		**(17,514)**	(11,547)
Staff costs		**(5,374)**	(5,273)
Discount on acquisition of an associate		**—**	1,305
Share of results of an associate		**11,549**	3,868
Share of results of a jointly controlled entity		**(3)**	—
Profit before taxation		**15,650**	8,370
Taxation	*4*	**—**	(19)
Profit for the period		**15,650**	8,351
Attributable to:			
Equity holders of the parent		**15,253**	8,255
Minority interest		**397**	96
		15,650	8,351
Basic and diluted earnings per share	*5*	**HK3.30 cents**	HK1.79 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	NOTES	**30 June 2006 HK$'000 (unaudited)**	31 December 2005 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets	6	**1,126**	1,064
Intangible assets	7	**21**	23
Interest in an associate		**123,400**	111,851
Interest in a jointly controlled entity	8	**2**	—
Other assets		**4,647**	4,030
Loan to a jointly controlled entity	8	**7,382**	—
Loans receivable	9	**954**	1,015
		137,532	117,983
CURRENT ASSETS			
Accounts receivable	10	**46,081**	29,898
Loans receivable	9	**1,159**	464
Other receivables, prepayments and deposits		**2,040**	2,290
Pledged fixed deposits (general accounts)	11	**7,979**	7,823
Tax recoverable		**319**	319
Bank balances (trust and segregated accounts)		**46,633**	39,375
Bank balances (general accounts) and cash		**43,683**	29,150
		147,894	109,319
CURRENT LIABILITIES			
Accounts payable	12	**58,124**	45,599
Accrued expenses and other payables		**4,740**	3,886
		62,864	49,485
NET CURRENT ASSETS		**85,030**	59,834
NET ASSETS		**222,562**	177,817
CAPITAL AND RESERVES			
Share capital	13	**47,700**	46,000
Reserves		**174,188**	131,540
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**221,888**	177,540
MINORITY INTEREST		**674**	277
TOTAL EQUITY		**222,562**	177,817

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Currency translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 January 2005	46,000	76,589	29,140	284	10,232	162,245	117	162,362
Profit for the period	—	—	—	—	8,255	8,255	96	8,351
At 30 June 2005	46,000	76,589	29,140	284	18,487	170,500	213	170,713
At 1 January 2006	46,000	76,589	29,140	1,734	24,077	177,540	277	177,817
Profit for the period	—	—	—	—	15,253	15,253	397	15,650
Placing of shares *(note 13)*	1,700	27,710	—	—	—	29,410	—	29,410
Share issue expenses	—	(315)	—	—	—	(315)	—	(315)
At 30 June 2006	47,700	103,984	29,140	1,734	39,330	221,888	674	222,562

Note:

The special reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six months ended	
	30 June 2006	30 June 2005
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
NET CASH USED IN OPERATING ACTIVITIES	**(5,972)**	(2,128)
NET CASH USED IN INVESTING ACTIVITIES		
Loan to a jointly controlled entity	**(7,382)**	—
Acquisition of additional interest in an associate	**—**	(23,399)
Other investing cash flows	**(1,208)**	(185)
	(8,590)	(23,584)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
Proceeds on issue of shares	**29,095**	—
Other financing cash flows	**—**	(65)
	29,095	(65)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,533**	(25,777)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**29,150**	40,071
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES (GENERAL ACCOUNTS) AND CASH	**43,683**	14,294

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

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, including stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products broking, securities margin financing services and corporate finance advisory services.

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 and with Hong Kong Accounting Standard 34 (HKAS 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 under 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 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Potential impact arising from the recently issued Accounting Standards

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HK (IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [2]
HK (IFRIC) — INT 8	Scope of HKFRS 2 [3]
HK (IFRIC) — INT 9	Reassessment of embedded derivatives [4]

[1] *Effective for accounting periods beginning on or after 1 January 2007.*
[2] *Effective for accounting periods beginning on or after 1 March 2006.*
[3] *Effective for accounting periods beginning on or after 1 May 2006.*
[4] *Effective for accounting periods beginning on or after 1 June 2006.*

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segment.

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

	Broking Six months ended		Securities margin financing Six months ended		Others Six months ended		Total Six months ended	
	30.6.2006	30.6.2005	**30.6.2006**	30.6.2005	**30.6.2006**	30.6.2005	**30.6.2006**	30.6.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**23,645**	14,246	**1,222**	1,205	**717**	963	**25,584**	16,414
Segment profit (loss)	**3,659**	364	**1,225**	3,109	**(485)**	66	**4,399**	3,539
Unallocated expenses							**(295)**	(342)
Discount on acquisition of an associate							**—**	1,305
Share of results of an associate							**11,549**	3,868
Share of results of a jointly controlled entity							**(3)**	—
Profit before taxation							**15,650**	8,370
Taxation							**—**	(19)
Profit for the period							**15,650**	8,351

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 2006 and 30 June 2005 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.

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams.

5. EARNINGS PER SHARE

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

	Six months ended	
	30 June	30 June
	2006	2005
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	**15,253**	8,255
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**463,663**	460,000

The computation of the diluted earnings per share for the six months ended 30 June 2006 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares for the period.

6. FIXED ASSETS

During the period, the Group acquired computer equipment and furniture and fixtures at an aggregate cost of approximately HK$430,000 (six months ended 30 June 2005: HK$82,000).

7. INTANGIBLE ASSETS

	Trading rights HK$'000	License and right to use a website and trademark HK$'000	License to use technical knowhow and Webtrade products HK$'000	Total HK$'000
COST				
At 1 January 2006	50	120,978	7,420	128,448
Written off	—	(120,978)	(7,420)	(128,398)
At 30 June 2006	50	—	—	50
AMORTISATION AND IMPAIRMENT				
At 1 January 2006	27	120,978	7,420	128,425
Provided for the period	2	—	—	2
Eliminated on written off	—	(120,978)	(7,420)	(128,398)
At 30 June 2006	29	—	—	29
CARRYING VALUES				
At 30 June 2006	21	—	—	21
At 31 December 2005	23	—	—	23

Trading rights represent two trading rights in the Stock Exchange and one trading right in the Hong Kong Futures Exchange Limited (the "HKFE"). Trading rights are amortised over 9 years.

8. INTEREST IN A JOINTLY CONTROLLED ENTITY

On 7 April 2006, Karl Thomson Energy Limited ("KT Energy") (previously known as Surewin Management Limited), the Company's wholly-owned subsidiary, entered into the JV agreement with an independent third party, Holley International (Hong Kong) Limited ("Holley"). Pursuant to the JV agreement, KT Energy and Holley agreed that each party will contribute a 50% interest in the share capital of Oriental Victor Limited ("Oriental Victor") at a cash consideration of HK$5,000 each.

On the same date, Oriental Victor entered into an accession agreement ("Accession Agreement"), with Swiss-Invest Petroleum Group Limited ("Swiss-Invest"). Pursuant to the Accession Agreement, Swiss-Invest will assign, transfer and novate all its rights and obligations in an oil field situated in Egypt ("Oil Field") to Oriental Victor at a consideration of HK$1. In addition, Oriental Victor has acquired a 50% interest in First Energy Pty Ltd. ("First Energy"). First Energy, through its investment in Aminex Petroleum Egypt Ltd. ("Aminex"), is in the process of obtaining a concession right from the Egyptian government in contracting exploration and production rights in the Oil Field. In respect of this, KT Energy and Holley are required to each contribute approximately a total of US$7,000,000, with an aggregate amount of US$14,000,000, by way of shareholders' loan to Oriental Victor and then to First Energy to enable it to participate in the exploration and production of the Oil Field.

Subsequent to the initial JV agreement, Primecode Limited ("Primecode") replaced Holley and became the new shareholder of Oriental Victor.

At 30 June 2006, US$950,000 loan has been granted to Orient Victor by the Group. The loan is unsecured, non-interest bearing and has no fixed repayment terms.

On 3 August 2006, KT Energy acquired the remaining 50% interest in the share capital of Oriental Victor and Oriental Victor became the wholly owned subsidiary of the Group. The consideration of HK$5,000 was fully paid by cash. In addition, pursuant to the supplemental agreement signed on the same date between Oriental Victor and the other shareholder of First Energy, the shareholder loan to be contributed by Oriental Victor to First Energy was reduced from US$14,000,000 to US$7,000,000.

On 17 September 2006, First Energy, through its investment in Aminex, acquired the concession right.

9. LOANS RECEIVABLE

	30 June 2006 *HK$'000*	31 December 2005 *HK$'000*
Fixed-rate loan receivables denominated in Hong Kong dollar	**2,113**	1,479
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**1,159**	464
Non-current assets (receivable after 12 months from the balance sheet date)	**954**	1,015
	2,113	1,479

The maturity of the loans receivable is as follows:

	30 June 2006 *HK$'000*	31 December 2005 *HK$'000*
Within 1 year	**1,159**	464
In more than 1 year but not more than 2 years	**61**	91
In more than 2 years but not more than 3 years	**66**	63
In more than 3 years but not more than 4 years	**70**	68
In more than 4 years but not more than 5 years	**76**	73
In more than 5 years	**681**	720
	2,113	1,479

Loans receivable with an aggregate carrying value of approximately HK$1,011,000 (31.12.2005: HK$1,038,000) are secured by pledged assets.

The effective interest rates (which are equal to contractual interest rate) on the Group's loans receivable ranged from 5% to 14% (31.12.2005: 2% to 14%). Interest rate term is fixed at the time of entering into loan agreement.

10. ACCOUNTS RECEIVABLE

	30 June 2006 *HK$'000*	31 December 2005 *HK$'000*
Accounts receivable arising from the business of dealing in securities:		
— Cash clients	**10,062**	10,225
— Hong Kong Securities Clearing Company Limited ("HKSCC")	**6,201**	1,152
Accounts receivable from HKFE Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**6,691**	4,558
Loans to securities margin clients	**22,667**	13,466
Accounts receivable arising from the business of providing corporate advisory services	**460**	497
	46,081	29,898

The settlement terms of accounts receivable from cash clients, HKSCC and HKFECC are 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 secured by clients' pledged securities, repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

The Group does not provide any credit term to its corporate advisory clients. The age of accounts receivable arising from the business of providing corporate advisory services is as follows:

	30 June 2006 *HK$'000*	31 December 2005 *HK$'000*
0 to 90 days	**260**	260
91 to 180 days	**200**	237
	460	497

The aged analysis of accounts receivable from cash clients is as follows:

	30 June 2006 HK$'000	31 December 2005 HK$'000
0 to 90 days	**10,007**	9,857
91 to 180 days	**55**	368
	10,062	10,225

11. PLEDGED FIXED DEPOSITS

The Group had pledged fixed deposits of approximately HK$7,979,000 (31.12.2005: HK$7,823,000) to banks to secure general banking facilities granted to the Group. The pledged fixed deposits carry floating interest rate ranging from 3% to 5% (31.12.2005: 3% to 4%) and will be released upon the expiry of relevant banking facilities.

12. ACCOUNTS PAYABLE

	30 June 2006 HK$'000	31 December 2005 HK$'000
Accounts payable to cash clients arising from the business of dealing in securities	**46,052**	38,836
Accounts payable to clients arising from the business of dealing in futures contracts	**9,442**	5,656
Amounts due to securities margin clients	**2,630**	1,107
	58,124	45,599

The settlement term of accounts payable to cash clients is two days after the trade date and with 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 HKFE. The excesses of the outstanding amounts over the required margin deposits stipulated by the HKFE 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.

13. SHARE CAPITAL

	Number of shares	
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 30 June 2006	1,000,000	100,000
Issued and fully paid:		
At 1 January 2005 and 31 December 2005	460,000	46,000
Placing of shares (note)	17,000	1,700
At 30 June 2006	477,000	47,700

Note:

Pursuant to the meeting of the Board of Directors of the Company on 7 April 2006, the issue of 17,000,000 new shares of HK$0.1 each for cash at HK$1.73 per share by the way of placing was approved and the new shares were allotted to independent third parties ("the Placees") on 23 May 2006. The proceeds were used to finance the funding commitment of US$7,000,000 for the oil field in Egypt.

Pursuant to the terms of the placing agreement, the Company has also agreed to grant an option to each of the Placees to subscribe for the shares of the Company up to an aggregate of 17,000,000 shares at an option exercise price of HK$1.85 each during the option period of one year.

The closing price of the Company's shares immediately before 23 May 2006, the date of grant of the share options, was HK$1.74. No option was exercised during the period.

14. RELATED PARTY TRANSACTION

The remuneration of key management during the period was as follows:

	Six months ended	
	30 June 2006	30 June 2005
	HK$'000	*HK$'000*
Salaries and allowances	**1,438**	1,438
Retirement benefits scheme contributions	**24**	24
	1,462	1,462

15. SUBSEQUENT EVENTS

(i) On 3 August 2006, KT Energy entered into sale and purchase agreement (the "Agreement") with Primecode, being the shareholder holding 50% interest in Oriental Victor prior to completion of the Agreement, for the acquisition of the remaining 50% equity interest in Oriental Victor for a consideration of HK$5,000.

(ii) On 17 September 2006, First Energy, through its investment in Aminex, acquired the concession right referred to in note 8.