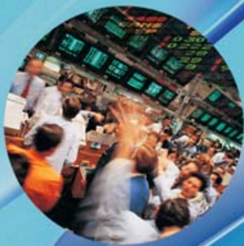
Karl Thomson Holdings Limited
高信集團控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code : 7)



2007 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

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

Principal Bankers

Wing Hang Bank, Limited
Hang Seng Bank Limited
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 2007.

For the six months ended 30 June 2007, profit attributable to shareholders amounted to HK$14,919,000 (2006: HK$15,253,000), equivalent to earnings per share of HK3.09 cents (2006: HK3.3 cents).

BUSINESS REVIEW

On the back of the solid economy growth and most important of all, the favourable China financial policy, the financial business posted good gains during the period under review. Subsequent to the bullish run since the last quarter of 2006, the stock market encountered rapid and sharp technical correction for the index stocks in the first quarter excused by the carry trade of Yen and the subprime mortgage crisis in United States ("US") market. Nonetheless, the trading activities were not seriously affected as the investors remained confident and kept rotating their interests to second liners. The index stocks soon resumed its uptrend and hit more new highs in the second quarter after the announcement of more favourable China financial policies to widen their Qualified Domestic Institutional Investor ("QDII") coverage to overseas stock investment. In general, investors remained alert to the economic issues like the inflation and interest rate movement of US economy, the development of subprime mortgage issue, the carry trade of Yen, the movement of A share market, the overheating China economy and its possible austerity measures. On the other hand, they gradually became apathetic to geo-political issues including the Iran nuclear program, North Korea missiles and Middle East confrontation incidents partly because these issues are generally expected to be under control and require length negotiation. The release of US economy data has indicated a soft landing trend for US economy with mild inflation and weak property market. The GDP growth of Hong Kong showed broad-based expansion though slowed to 5% level for the first half of 2007 after 6.8% growth for 2006. The growth has been maintained at above-trend pace for 14 quarters in a row since the upturn in mid-2003. Unemployment rate fell to 4.2% of the lowest level for the period of April to June 2007 since mid-1998. Visitors to Hong Kong increased steadily by 6.8% to exceed 13 million visitors for the first six months of 2007 with growth registered from all key markets. Amid the improving purchasing power of the public, the property market was also rebounding in transaction and prices across the board. The local inflation remained moderate at 1.5% for the first half of 2007 over one year earlier despite volatile food prices but it is increasingly facing pressure from imported inflation as a result of weak US Dollar and gradual appreciation of Renminbi ("RMB").

The technology development business of the Group via our associate, Asia Tele-Net and Technology Corporation Limited ("ATNT") was stable. The major subsidiary of ATNT, Process Automation International Limited and its key associate, Intech Machines Co. Limited, managed to expand its product range in the period under review but the overall achievements have been undermined by the cost inflation brought by the appreciating RMB. The company will strive hard to introduce more products and to increase the efficiency to minimise the negative impact of raising cost. Millions of dollars was spent to upgrade the drawing software from 2D (Autocad) to 3D (SolidWorks). Training was arranged and examination was being conducted. Full use is expected in last quarter of this year. The introduction of 3D drawing will help to minimise most of the design errors as the software has simulation function.

For the period under review, the energy business advanced well as scheduled. The acquisition of Volant Petroleum Limited ("Volant") was completed. The Company now owns 40% working interest in both Block 2 WEEM and Block 3 WKO. The seismic re-processing for Block 2 WEEM has completed and it helped to improve the data quality. A technical committee was held in Cairo in early September in which all project partners gathered together to determine the drilling locations. Being the controlling party of the Operating Committee, the Company is working diligently with the professional team in Cairo and the project partners towards the goal of drilling two wells by the end of this year. As usual, the Company is conscious to bring the project on stream as early as possible for the benefit of the shareholders as a whole. The Company is very pleased to announce that Upper Egypt witnesses for the first time in the history the first petroleum discovery which has been named "Al Baraka" in the Kom Ombo area, 80km north Aswan and less than 120km east of WKO. The discovery was found in early September and the evaluations of the field show that the well productivity is in high economical standards especially that the quality of the discovered oil is 37 degrees and in the light of the low drilling cost in shallow depth. The discovery has supported the potential benefits which could be brought by Block 3 WKO which is believed lying in the same rift basin of Al Baraka. In view of the structural shortage of oil supply, the oil price rebounded from the US$50 per barrel and approached to test the historic high near US$80 per barrel during the review period. The fast growing of the new economy centers created strong demand growth for oil which can hardly be matched by the existing known supplies. For the same reason, the oil price will only be heading upward in foreseeable future. The fact that the Company is holding upstream assets in the supply chain has put itself in a very favourable position.

OUTLOOK

The diversified business portfolio of the Group provided a balanced growth basis. The financial business continued to be benefited from the robust stock market whilst the oil business offered a potential spectacular growth in the future. Technology business was stable in the review period amid the consolidation of the electronic industry but will take off again on the cyclical recovery of the industry in the period ahead. The Group now puts the greatest effort in consolidating the development of the oil business. Apart from speeding up the drilling operation in the Block 2 WEEM Oil Field in order to bring the real return as soon as possible, the Group is also making use of the oil professional team brought by the acquisition of Volant to look for more valuable investments in oil business. With the back of fantastic growth of China economy and the favourable Chinese financial policy, the Group is positive on the existing business development across the Greater China Region and is ready to expand to any business with exciting growth.

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.

For and on behalf of the Board
Lam Kwok Hing
Chairman

29 September 2007

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2007, the total revenue for the Group was approximately HK$35,718,000 (2006: HK$25,584,000). Profit attributable to shareholders was approximately HK$14,919,000 (2006: HK$15,253,000) mainly attributing to the strong gains of the core financial business.

MARKET OVERVIEW

Despite its volatile fluctuations, the stock market sustained its bullish ride during the review period in line with the strong overseas stock market and favourable China factors. The market extended its gain since the last quarter of 2006 to hit numerous records on increasing turnover. Nevertheless, the serious overbought situation invited rooms for technical correction and the carry trade of Yen and the forthcoming subprime mortgage crisis in US economy served as timely excuses. During the correction period, sentiment on index stock was further dampened by the strong rally in A share market and the worry of more austerity measures. Yet, investors remained bullish on the long run of the stock market and switched their interest to second-liners and situational stocks. Counters with news of asset injection and ownership changes were aggressively sought with prices skyrocketing sharply within a short period of time. Liquidity in the market remained abundant with continued inflow of funds from China. In view of the risk of overheating economy and the increasing conflicts with trading partners on the enlarging trade surplus, the China government announced a series of measures to encourage the outflow of funds to overseas markets in which the Hong Kong market was the greatest beneficiary. In particular, the government widened the QDII coverage by allowing more fund portion to the banks, insurance companies and asset management companies to invest in the overseas equities. Other measures including the reduction of corporate tax on domestic companies to the same level of foreign companies and the cut of interest rate tax from 20% to 5% helped to revalue the fundamental of the H shares especially for those financial counters. The sharp rebound of commodities and oil prices together with the consecutive discoveries of great oil reserve fields by various Chinese oil companies rekindled investors' interest on the resource and energy stocks. Hang Seng Index ("HSI") and Hand Seng China Enterprises Index ("H Index") bottomed out in the middle of March and hit new highs thereafter. In general, H Index stocks were the focus of the interest and also contribute most of the gain of HSI. The H Index rose 1,634 points at 12,001 over the end of 2006 whilst HSI gained 1,973 points at 21,938. The A share market was even more amazingly strong and shot up 1,145 at 3,820. Its astonishing performance produced mixed impacts on the Hong Kong market in different stages on the reinforcement of fundament value on one hand and on triggering the worries of more austerity programs on the other hand.

The China economy is expected to remain strong in years ahead and is solidly underpinning the Hong Kong economy and the fundamental value of the Hong Kong stock market. The Chinese policy to liberate more fund outflows to overseas equity markets appeared to be long term to shrink the trade surplus figure, to improve the return of the domestic funds and to curb the overheating economy. This injected additional liquidity to the Hong Kong stock market which will be apparently benefited in bringing greater primary and secondary activities as it still enjoyed an unrivalled position in providing a financial platform for the Chinese investors and institutions. The continuous rise of the price of Hong Kong Exchanges and Clearing Limited comfortably confirmed its unique competitive position. As such, the outlook for the Hong Kong stock market keeps in good shape. In view of the technically overbought situation in the first half of 2007, the market will be vulnerable to the interruption of some potential negative issues including the inflation and interest rate movement of US economy, the development of subprime mortgage issue, the overheating China economy and its austerity measures. The recent deterioration of the US subprime crisis and the subsequent of Yen carry trade had produced credit crunch over the global economy and dampened the global stock market severely. Such issue would still cloud a very cautious sentiment on the stock investment market. A volatile pattern will be inevitable but it should not affect the long term appreciation of the stocks on the back of the favourable China factors.

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 62.4% of total revenue, was HK$22,301,000 (2006: HK$11,663,000). Profit for the division was HK$10,007,000 (2006: HK$2,394,000). The division registered solid growth in both turnover and profit mainly attributing to the promising Initial Public Offering ("IPO") performance of newly listing issues and the bullish stock market.

SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio accounted for 3.8% of the Group's revenue was HK$1,370,000 (2006: HK$1,222,000). Profit for this division reached HK$1,376,000 (2006: HK$1,225,000), which include write-back of allowance for bad and doubtful debts approximately HK$12,000. The division had moderate growth as the demand brought by the increase of the trading activities of the clients was deterred by the growing volatility and high interest rate. The change of trading pattern in increasing day trade activities curbed the demand for overnight margin financing. The Group maintained consistently prudent and flexible margin financing policy to minimise 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$11,006,000 (2006: HK$11,982,000). Although the market was bullish on first six months of 2007, business softened because of changes of client investment mode. In order to maintain our competitive advantage, we are going to enhance our product range, put more effort on marketing and recruit more consultants.

INVESTMENT BANKING

Operating revenue generated by the investment banking business advanced higher at HK$942,000 (2006: HK$660,000). The investment banking division is active in sourcing deals from the mid-cap companies both in Hong Kong and the PRC. The division concentrates on building its premier boutique investment banking image, aiming to provide corporate clients with tailor-made and cost effective financial advisory services. To gain more market shares in the business, the service charge has been lowered in recent years. We will strive hard to expand client base to pave a solid ground for further business development and opportunities. The division provides extensive financial advisory services including accounting, internal control, tax planning and fund raising to corporate clients. It also acts as underwriter, financial advisor and independent financial advisor for listed Hong Kong companies.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

The circulars of the Group in relation to a very substantial acquisition ("VSA") of the Volant by its wholly-owned subsidiary, Sky Energy Investment Limited ("SEI") have been sent to the shareholders on 28 June 2007.

The shareholders of the Group have duly approved the VSA at the Special General Meeting held on 21 July 2007.

On 26 July 2007, the Group announced that SEI has elected to issue shares of the Group instead of paying cash for the first 35% of the offer consideration. As such for each Volant share, the shareholder of Volant will get:

(a) 0.2121 of the Company's shares; and

(b) 1 Redeemable Convertible Preference Shares of the Company.

On 5 September 2007, the Company has issued an offer to compulsorily acquire the rest of the shares of Volant. Volant shareholders who have their shares acquired compulsorily will receive the same consideration as they would if they had accepted the Offer.

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2007, the Group had shareholders' funds of approximately HK$257,424,000. The net current assets of the Group were HK$83,131,000 (31 December 2006: HK$56,382,000), which consisted of current assets of HK$212,617,000 (31 December 2006: HK$142,253,000) and current liabilities of HK$129,486,000 (31 December 2006: HK$85,871,000), representing a current ratio of approximately 1.64 (31 December 2006: 1.66).

The Group generally finances its operation with internally generated cash flows. The Group has no long-term bank borrowings apart from occasional utilisation of overdraft facilities and short-term bank borrowings. During the period, the Group obtained short-term bank borrowings of HK$20,899,000 which is mainly facilitating the margin to client for the application of IPO. As at 30 June 2007, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$24,114,000 (2006: HK$43,683,000).

As at 30 June 2007, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts) over shareholders' funds, was at a level of 0.08 times (31 December 2006: Nil). The rise in the gearing ratio was due to an increase of HK$20,899,000 as at 30 June 2007 in the short-term bank borrowings in relation to IPO financing, excluding which the gearing ratio would be about nil. Such bank borrowings relating to IPO financing were fully repaid by 9 July 2007.

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 2007 (31 December 2006: Nil).

CAPITAL COMMITMENTS

The Group held 20% of the effective interest in the exploration and production rights in relation to Block 2 WEEM in Egypt. According to the accession agreement, the Group have to contribute capital commitment of US$7,000,000 (approximately HK$54,600,000) by way of shareholder's loan in stages. As at 30 June 2007, approximately HK$38,622,000 was advanced.

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2007. 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 2007, bank deposits amounting to HK$8,348,000 (31 December 2006: HK$8,165,000) was pledged to secure banking facilities granted to a subsidiary and no margin clients' listed securities were pledged.

CAPITAL STRUCTURE

As at 30 June 2007, the total number of issued ordinary shares of the Company was 488,400,000 of HK$0.10 each (31 December 2006: 477,000,000 shares of HK$0.10 each). The increase in the number of issued shares was the result of the exercise of the Company's share options by the grantees during the six month period.

The shareholders of the Group have duly approved to designated 200,000,000 of the unissued ordinary shares in the authorised share capital of the Company and classified as redeemable convertible preference shares of per value HK$0.10 each at the Special General Meeting held on 21 July 2007.

HUMAN RESOURCES

As at 30 June 2007, the Group employed a total of 104 staff (2006: 136) of which, 56 were commissioned based (2006: 81) and the total related staff cost amounted to HK$7,027,000 (2006: HK$5,374,000). 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 2007 (2006: Nil)

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

At 30 June 2007, 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 of Hong Kong Limited (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 (the "Listing Rules") on the Stock Exchange:

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	63.82%
Mr. Nam Kwok Lun *(Note)*	Interest of controlled corporation	311,718,000	63.82%

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, 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 since adoption of the Share Option Scheme.

2. ATNT

At the annual general meeting held on 13 June 2005, an ordinary resolution had been passed to adopt of the share option scheme (the "ATNT Share Option Scheme"). Pursuant to the ATNT Share 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 Share Option Scheme is to provide incentives to the Eligible Participants. The ATNT Share Option Scheme will expire on 12 June 2015.

No options have been granted to the Eligible Participants under the ATNT Share Option Scheme since the adoption of ATNT Share Option Scheme.

Save as disclosed above, as at 30 June 2007, 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 2007, 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	63.82%

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 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.

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.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.22 OF THE LISTING RULES

As at 30 June 2007, the circumstances giving rise to the disclosure obligations under Rules 13.13, 13.15 and 13.16 of the Listing Rules continued to exist and in accordance with Rule 13.20 of the Listing Rules, details of the relevant advances to an affiliated company are as follows:

The aggregate amount of advances (which were in the form of shareholder's loans) given by the Group to First Energy Pty Limited ("First Energy"), a jointly controlled entity owned as to 50% by the Company and 50% by Volant, which is independent of, and not connected with the Company, the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules), as at 30 June 2007 was approximately HK$38,622,000, representing approximately 0.025 of the market capitalisation of the Company and approximately 0.10 of the total assets of the Group as at 30 June 2007. The advance was provided according to the accession agreement signed on 7 April 2006 between Oriental Victor Limited, a wholly-owned subsidiary of the Company with, among others, Swiss-Invest Petroleum Group Limited and the supplemental agreement signed on 3 August 2006, the shareholder loan to be contributed by Oriental Victor Limited was US$7,000,000 (approximately HK$54,600,000). All advances were secured, interest free and shall be repaid from the future income of the underlying oil field.

On 8 August 2007, First Energy became the wholly-owned subsidiary of the Company and the disclosure obligations arising under Chapter 13 of the Listing Rules shall not be applicable thereafter.

Save as disclosed above, there are no advance to entity nor financial assistance, and no guarantees to affiliated companies of the Company as at 30 June 2007 which are discloseable under Rules 13.13 to 13.22 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six-month period ended 30 June 2007, 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 2007, 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.

PUBLIC FLOAT

As at 30 June 2007 and 29 September 2007 (the latest practicable date of this interim report), the Company complied with the 25% public float requirement under the Listing Rules.

On behalf of the Board
Nam Kwok Lun
Deputy Chairman and Managing Director

29 September 2007

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF KARL THOMSON HOLDINGS LIMITED

Introduction

We have reviewed the interim financial information set out on pages 20 to 32 which comprises the condensed consolidated balance sheet of Karl Thomson Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Six months ended	
		30 June	30 June
		2007	2006
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	*(unaudited)*
Revenue	3	35,718	25,584
Other income		1,462	1,011
Write-back of allowance for bad and doubtful debts		264	824
Amortisation of intangible assets		(3)	(2)
Depreciation		(198)	(368)
Finance costs		(54)	(57)
Other operating expenses		(20,079)	(17,514)
Staff costs		(7,027)	(5,374)
Share of result of an associate		5,007	11,549
Share of result of a jointly controlled entity		545	(3)
Profit before taxation		15,635	15,650
Taxation	4	(680)	—
Profit for the period		14,955	15,650
Attributable to:			
Equity holders of the Company		14,919	15,253
Minority interests		36	397
		14,955	15,650
Earnings per share			
Basic	5	HK3.09 cents	HK3.30 cents
Diluted		HK3.06 cents	HK3.30 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007

	NOTES	30 June 2007 HK$'000 (unaudited)	31 December 2006 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets	6	823	926
Intangible assets		14	17
Interest in an associate		128,995	123,340
Interest in a jointly controlled entity		599	54
Deferred tax assets		—	80
Statutory deposits		4,030	4,030
Loan to a jointly controlled entity		38,622	34,508
Loans receivable	7	1,210	1,394
		174,293	164,349
CURRENT ASSETS			
Accounts receivable	8	91,123	50,493
Loans receivable	7	503	586
Other receivables, prepayments and deposits		4,809	2,974
Amount due from a jointly controlled entity		—	1,983
Tax recoverable		303	—
Pledged fixed deposits (general accounts)	9	8,348	8,165
Bank balances (trust and segregated accounts)		83,417	61,936
Bank balances (general accounts) and cash		24,114	16,116
		212,617	142,253

	NOTES	30 June 2007 HK$'000 (unaudited)	31 December 2006 HK$'000 (audited)
CURRENT LIABILITIES			
Accounts payable	10	99,788	78,376
Accrued expenses and other payables		8,199	7,477
Bank borrowings	11	20,899	—
Tax payable		600	18
		129,486	85,871
NET CURRENT ASSETS		83,131	56,382
NET ASSETS		257,424	220,731
CAPITAL AND RESERVES			
Share capital	12	48,840	47,700
Reserves		208,166	172,649
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		257,006	220,349
MINORITY INTERESTS		418	382
TOTAL EQUITY		257,424	220,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company							
	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 2006 (audited)	46,000	76,589	29,140	1,734	24,077	177,540	277	177,817
Profit for the period and total recognised income for the period	–	–	–	–	15,253	15,253	397	15,650
Shares issued	1,700	27,710	–	–	–	29,410	–	29,410
Share issue expenses	–	(315)	–	–	–	(315)	–	(315)
At 30 June 2006 (unaudited)	47,700	103,984	29,140	1,734	39,330	221,888	674	222,562
At 1 January 2007 (audited)	47,700	104,275	29,140	3,842	35,392	220,349	382	220,731
Share of reserve of an associate that recognised directly in equity	–	–	–	648	–	648	–	648
Profit for the period	–	–	–	–	14,919	14,919	36	14,955
Total recognised income for the period	–	–	–	648	14,919	15,567	36	15,603
Exercise of share options	1,140	19,950	–	–	–	21,090	–	21,090
At 30 June 2007 (unaudited)	48,840	124,225	29,140	4,490	50,311	257,006	418	257,424

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 2007

	Six months ended 30 June 2007 HK$'000 (unaudited)	Six months ended 30 June 2006 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(29,599)	(5,972)
NET CASH USED IN INVESTING ACTIVITIES		
Loan to a jointly controlled entity	(4,114)	(7,382)
Other investing cash flows	(278)	(1,208)
	(4,392)	(8,590)
NET CASH FROM FINANCING ACTIVITIES		
Proceeds on issue of shares	21,090	29,095
Bank borrowings raised	20,899	—
	41,989	29,095
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,998	14,533
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	16,116	29,150
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES (GENERAL ACCOUNTS) AND CASH	24,114	43,683

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are provision of financial services and technologies development. The financial services provided by the Group includes 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 technologies development is developed through the associated company, ATNT, whose shares are also listed in the Stock Exchange.

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 "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 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

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]
HK (IFRIC) – INT 10	Interim financial reporting and impairment [5]

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.
5 Effective for accounting periods beginning on or after 1 November 2006.

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

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

HKAS 23 (Revised)	Borrowing costs [1]
HKFRS 8	Operating segments [1]
HK (IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions [2]
HK (IFRIC) - INT 12	Service concession arrangements [3]

[1] Effective for accounting periods beginning on or after 1 January 2009.
[2] Effective for accounting periods beginning on or after 1 March 2007.
[3] Effective for accounting periods beginning on or after 1 January 2008.

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

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		Securities margin financing		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30.6.2007	30.6.2006	**30.6.2007**	30.6.2006	**30.6.2007**	30.6.2006	**30.6.2007**	30.6.2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**33,307**	23,645	**1,370**	1,222	**1,041**	717	**35,718**	25,584
Segment profit (loss)	**10,769**	3,659	**1,376**	1,225	**(1,841)**	(485)	**10,304**	4,399
Unallocated expenses							**(221)**	(295)
Share of result of an associate							**5,007**	11,549
Share of result of a jointly controlled entity							**545**	(3)
Profit before taxation							**15,635**	15,650
Taxation							**(680)**	–
Profit for the period							**14,955**	15,650

4. TAXATION

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2006 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.

5. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**14,919**	15,253
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**482,173**	463,663
Effect of dilutive potential ordinary shares arising from share options	**4,674**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**486,847**	463,663

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$95,000 (2006: HK$430,000).

7. LOANS RECEIVABLE

	30 June 2007 HK$'000	31 December 2006 HK$'000
Fixed-rate loan receivables denominated in Hong Kong dollar	1,713	1,980

Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	503	586
Non-current assets (receivable after 12 months from the balance sheet date)	1,210	1,394
	1,713	1,980

The maturity of the loans receivable is as follows:

	30 June 2007 HK$'000	31 December 2006 HK$'000
Within 1 year	503	586
In more than 1 year but not more than 2 years	374	464
In more than 2 years but not more than 3 years	70	138
In more than 3 years but not more than 4 years	84	73
In more than 4 years but not more than 5 years	81	78
In more than 5 years	601	641
	1,713	1,980

Loans receivable with an aggregate carrying value of approximately HK$954,000 (31.12.2006: HK$983,000) 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 12% (31.12.2006: 5% to 12%) per annum. Interest rate term is fixed at the time of entering into loan agreement.

8. ACCOUNTS RECEIVABLE

	30 June 2007 HK$'000	31 December 2006 HK$'000
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	**23,506**	17,162
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**—**	1,778
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**14,916**	6,443
Loans to securities margin clients	**52,446**	24,850
Accounts receivable arising from the business of providing corporate advisory services	**255**	260
	91,123	50,493

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

Loans to securities margin clients are 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 2007 HK$'000	31 December 2006 HK$'000
0 to 90 days	**230**	25
91 to 180 days	**25**	25
Over 180 days	**—**	210
	255	260

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

	30 June 2007 HK$'000	31 December 2006 HK$'000
0 to 90 days	23,364	16,885
91 to 180 days	142	277
	23,506	17,162

9. PLEDGED FIXED DEPOSITS

The Group had pledged fixed deposits of approximately HK$8,348,000 (31.12.2006: HK$8,165,000) to banks to secure general banking facilities granted to the Group.The pledged fixed deposits carry floating interest rate ranging from 3% to 5% (31.12.2006: 3% to 5%) and will be released upon the expiry of relevant banking facilities.

10. ACCOUNTS PAYABLE

	30 June 2007 HK$'000	31 December 2006 HK$'000
Accounts payable arising from the business of dealing in securities:		
– Cash clients	66,442	65,847
– HKSCC	1,725	—
Accounts payable to clients arising from the business of dealing in futures contracts	20,048	9,746
Amounts due to securities margin clients	11,573	2,783
	99,788	78,376

The settlement term of accounts payable to cash clients 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 Hong Kong Futures Exchange Limited ("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.

The accounts payable amounting to approximately HK$83,417,000 (2006: HK$61,936,000) was payable to clients and 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.

11. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately HK$20,899,000. The loans carry interest at market rate of 5.25% per annum and are repayable in one year. The proceeds were used to finance the operation of securities margin financing.

12. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 30 June 2007	1,000,000	100,000
Issued and fully paid:		
At 1 January 2006	460,000	46,000
Placing of shares	17,000	1,700
At 31 December 2006 and 1 January 2007	477,000	47,700
Exercise of share options	11,400	1,140
At 30 June 2007	488,400	48,840

13. RELATED PARTY TRANSACTION

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

	Six months ended 30 June 2007 HK$'000	30 June 2006 HK$'000
Salaries and allowances	1,811	1,438
Retirement benefits scheme contributions	36	24
	1,847	1,462

14. SUBSEQUENT EVENTS

Pursuant to the conditional general offer bid made by the Company to purchase all shares of Volant (the "General Offer") on 8 November 2006, the shareholders approved the General Offer in the special general meeting held on 21 July 2007. As at 6 August 2007, the period end date under the General Offer, the Company received acceptances from the shareholders of Volant which represented 99.2% of shares in issue in Volant.

On 5 September 2007, the Company has issued an offer to compulsorily acquire the rest of the shares of Volant. The shareholders of Volant who have their shares acquired compulsorily will receive the same consideration as they would if they had accepted the Offer.