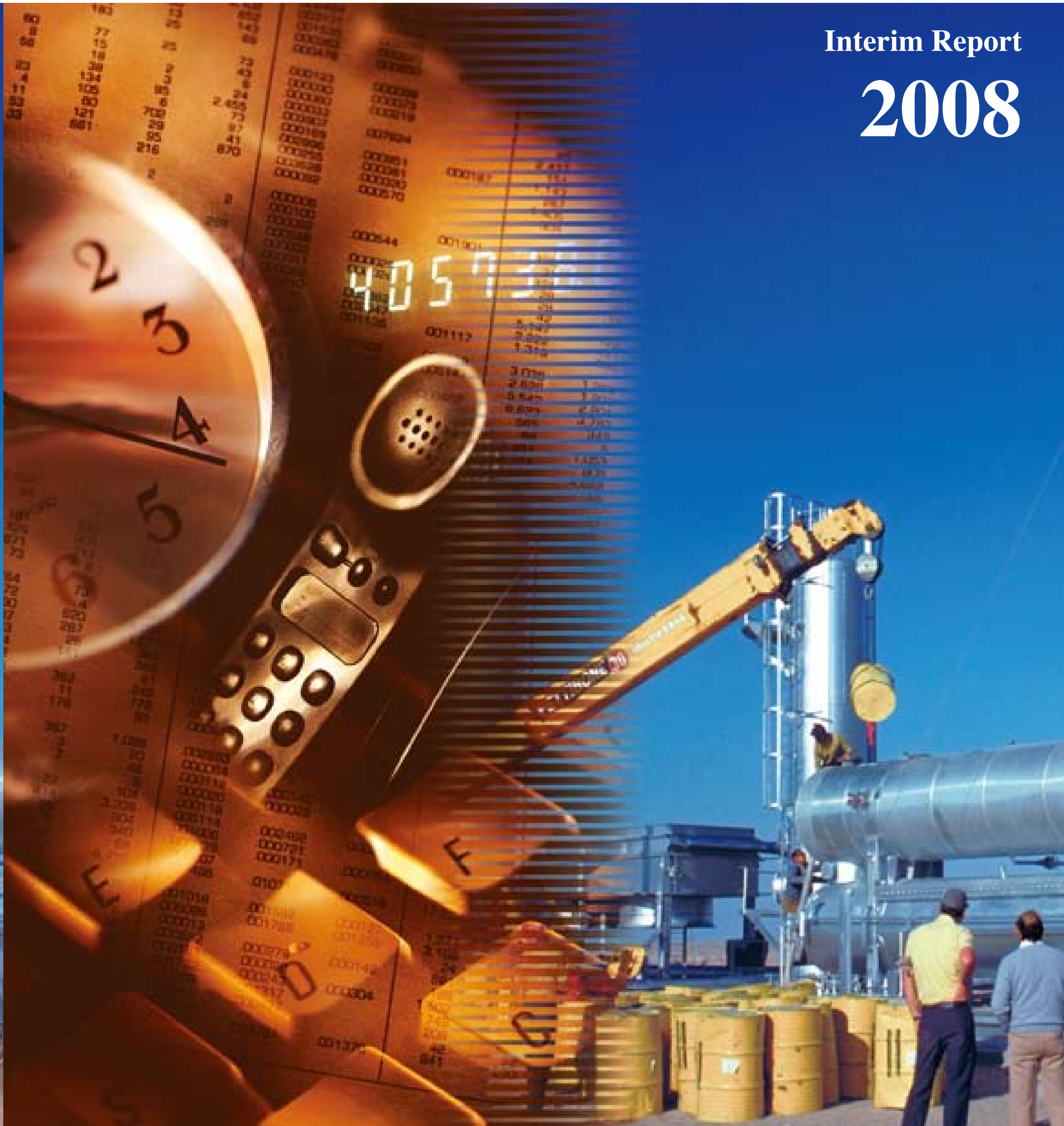
Karl Thomson Holdings Limited
高信集團控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 7

Interim Report 2008



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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 701, 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*

REPORT OF THE CHAIRMAN

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 2008.

For the six months ended 30 June 2008, profit attributable to shareholders amounted to HK$33,624,000 (2007: HK$14,919,000), equivalent to earnings per share of HK5.66 cents (2007: HK3.09 cents).

BUSINESS REVIEW

The Group comprises three major business streams, namely the financial business, investment in associate Asia Tele-Net and Technology Corporation Limited ("ATNT") and the oil and gas business.

Financial Business

The core financial division performance suffered setback on the poor stock market for the first half of 2008. The period under review was filled up with a disaster liquidation of equities amid the global stock market slump and a sharp swift of fund flows from equities to commodities. The twin macro stresses of United States("US")-led recession and China austerity measures were still dampening the investor sentiment. The outbreak of subprime crisis in US in the last quarter of 2007 uncovered and triggered a series of negative chain effects on credit crunch in capital market, property market slide, huge write-off of financial industry and the US dollar dive. In the meantime, the structural shortage coupled with the weak US dollar fuelled up the commodities prices. In particular, the oil prices jumped from US$95.98 per barrel at the end of 2007 to a historic high of US$147.27 per barrel. The poor macroeconomic situation and the accelerating inflation squeezed up a likely trend towards stagflation. While China strived hard to tighten its credit to curb the overheating economy and the cost pushed inflation, it had caused damage to the stock market. The economic problems of US remain extremely unclear. It is almost impossible to ascertain the amount of actual subprime defaults, the further write-off needs of the financial institutions, the potential bankruptcies of the financial institutions, the bottom level of property market and the peak of the oil prices. Even the US Government can only introduce unusual measures to solve the problem case by case. The US subprime issue has fallen into a confident crisis and investor sentiment dropped to a maximum bearish. All investors joined to panic out from the equities to avoid risk.

Investment in associate ATNT

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

2008 is a challenging year. On half year basis, the turnover of machinery sales this year was higher than last year. However, we expect slower activities in second half and therefore the annual turnover this year will only be more or less as last year. While we are able to maintain the turnover level, we strive hard for cost control. The high oil price and high commodities prices have pushed up the raw material cost, especially the metal parts which we have used a lot in building in our machinery. Inevitably, the overall gross margin has dropped compared to last year.

With the dampening investment environment, our strategy is to offer advanced technologies which help our customers to increase their electroplating capability but at a reduced cost. We have launched two new products early this year: MCP Double Pusher and MCP Desmear/PTH. The MCP Double Pusher offers double output to our customers but is sold at a less proportional price. The MCP Desmear/PTH offers the same functions as in horizontal plater but at much reduced investment cost.

ATNT has announced on 28 January 2008 that it has entered into an agreement to dispose its interest in its associate Intech Machines Co Limited. The transaction was completed on 7 April 2008 and the profit gained from such disposal was approximately HK102,000,000 and the cash received was approximately HK$150,000,000.

Oil and gas business

The energy arm of the Group was developed through our wholly owned subsidiary, Karl Thomson Energy Limited ("KT Energy").

KT Energy has 40% participating interest in two oil blocks in Egypt, Block 2 WEEM and Block 3 WKO.

For Block 2 WEEM, it is our plan to drill three exploratory wells on or before 2009. The Group has drilled two so far. Although no discovery is found, one of the wells has found quite a high level of background gas and better understanding of the fault structure was obtained. Based on the well data obtained, the technical team in Cairo is now re-interpreting the seismic structures found previously before we proceed to drill the third well.

For Block 3 WKO, the seismic crew has commenced the acquisition of 600 to 700 kilometers of 2D seismic on 14 September 2008. It is expected that the seismic acquisition program will be completed in 2 to 2.5 months. The processing and interpretation of the new seismic will be completed in early 2009.

As stated in last year annual report, oil business is a long term investment to the Group. KT Energy is taking steps by steps to realise its plan and to accumulate precious experience. The Group, at the moment, is on its path of exploration as planned and will report further progress as appropriate in the future.

OUTLOOK

The diversified business portfolio of the Group ensured a stable and health growth base whilst the development of new business projects advanced on the right track. Though Hong Kong domestic economy remains intact, all economic indicators are weakening due to its sensitivity to the US economy. We shall see further selling on the stock market patterned with high volatility for the rest of the year unless the US economy showed some clearer signs of bottoming and stabilising. The persistent strong growth of China provides a long term fundamental support to the Hong Kong stock market and the abundant local liquidity and high bank savings warrant the market to be one of the recovery pioneers in the world as soon as the investment confidence restores to normal. Technology business will be under consolidation in periods ahead and greatest efforts will focus in uplifting efficiency, minimising the cost and expanding the product range. The Group is now in the middle of exploration and will report progress in due course.

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

26 September 2008

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2008, the total revenue for the Group was approximately HK$27,748,000 (2007: HK$35,718,000). Profit attributable to shareholders compared to the first half year of 2007 increased by 125% to approximately HK$33,624,000 (2007: HK$14,919,000). Although the core financial business decreased slightly in the light of poor global stock market, the share of result of an associate increased by approximately HK$23,700,000 compared to past corresponding half year.

MARKET OVERVIEW

The global stock market selling extended to 2008 after the outbreak of the subprime crisis and the related credit crunch in US in the last quarter last year. The US financial industry was hardest hit as a result of this credit tightening, the consequent huge write-downs and the concern on solvency problems after the subprime crisis and the further property slump. The sharp credit contraction forced investors to dump their equities nervously on the deleverage needs whilst the risk aversion and a swift of fund flow into commodities exaggerated the magnitude and the speed. As international funds required withdrawing funds from abroad back to strengthen their capital base at home countries, the emerging market suffered greater selling and fall despite their less relevance to the US economic problems. The inflow of hot money speculated up the commodities prices of all kinds including energy, raw materials and agricultural products on the excuses of structural shortage and weak US dollar. Most commodities recorded more than 50% appreciation over the past six months. Typically, oil price jumped 53.3% from US$95.98 per barrel at the end of last year to a historic high of US$147.27 per barrel. The rocketing of commodities prices soared up inflation across the world. This limited the room for US authorities to relieve the liquidity to solve the credit contraction and housing problem and raised an anxious concern on possible stagflation. The Greater China Region faced additional pressure from the China austerity program in cooling down the overheating economy and curbing the inflation. As A Share Market was overbrought and overvalued last year, the credit tightening and withdrawal of institutional funds sent the market sharply down and make it almost the worst performer of the global stock market during the review period. Shanghai A Index tumbled 51.2% down to the year low of 2,566.52. Hong Kong stock market situation was neither in any way better. In additional to continual foreign selling, the Central Government halted up the program of Direct Individual Investment Program. This immediately reversed the sentiment to become bearish. Hang Seng Index ("HSI") easily dropped below the 250 days index of moving average of 24,818 and technically entered the bear market cycle. HSI lost as much as 26% to a year low of 20,573 and recovered slightly to 22,102 by the first half of 2008. Similarly, H Index also shrank 26.2% to 11,909.75 by the end of the review period. Liquidation on equities was across the board and continued persistently over the first half of 2008. The energy consuming sector suffered greatest selling. The steep rise of raw material cost, RMB and labour cost eroded most of the profit margin of the manufacturers and exporters. The airliners, shipping liners and motors were the victims of the high oil price whilst the utility and lower stream of oil business were further squeezed to operating loss by the Central Government Policy to freeze the price of oil refinery products to control the inflation. The emergency of technical rebound was short lived and weak and soon encountered with further stock liquidation. Despite the decisive cut of 2.25% interest rate by the US Federal Reserve and the injection of sizable additional liquidities into the capital market, the US economy was still reported with further worsening and the on-going credit crunch problems were threatening the solvency of financial institutions including the investment banks, bond insurers, the mortgage finance institutions and the regional banks among which the big names were no exceptions. Several time-honored institutions eventually had to be taken over, namely, Bear Stearns by Morgan Chase and IndyMac Bank by Federal Deposit Insurance Corp. The investor confidence fell to the bottom when the two government-sponsored mortgage finance giants — Fannie Mae and Freddie Mac were rumoured with insolvent difficulties. The crisis took a short relief when US government finally stepped in to expand credit line to the two giants and to acquire their shares. The ban of naked selling on 19 financial stocks and other administrative measures also helped to stabilise the market for a while.

The economy of Hong Kong is still cautious positive but is inevitably being weakened by the deterioration of US economy. The high oil price and therefore the consequent high inflation becomes the major threat to the global economy and US economic development remains the root of the worry. The oil price, housing situation and financial industry performance of US will be the focus in near future and will be hammering the investor confidence from time to time. The subprime issue has already become a confidence crisis in nature. As the whole investment markets fall into chaos, fears and suspicions, the fundamental factors are generally ignored. The current sentiment is extremely fragile and investors will nervously respond to any negative rumours and news by further liquidation in equities. The stock market will hence see heading downward with short and weak rebounds on high volatility and low volume. In view of the growing tough external environment, there are signs that the China government may adjust and relieve their credit tightening policy to reduce the burdens of the manufacturers and exporters. The further liberation of the prices of the lower streams of energy products may improve the profitability of the relevant operators. On the back of the persistent strong China economy and abundant local liquidity, the Hong Kong market is well-positioned to recover rapidly as soon as the situation of the US economy looks clearer and find bottoms. In longer prospective, the market remains optimistic.

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 53.5% of total revenue, was HK$14,844,000 (2007: HK$22,301,000). The division fell in turnover mainly attributing to the bearish sentiment and the weak stock market.

SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio accounted for 4.2% of the Group's revenue was HK$1,167,000 (2007: HK$1,370,000). Profit for this division reached HK$1,162,000 (2007: HK$1,376,000). The division had registered decline a result of a drop in trading activities as well as a decrease in loan demand for overnight margin financing to avoid the volatility risks in facing the uncertain US market.

FINANCIAL MANAGEMENT AND ADVISORY SERVICES

Revenue generated from financial management and advisory services was HK$11,003,000 (2007: HK$11,006,000). The market was bearish for the first six month of 2008 and business was softened because the global investment sentiment was bad. We will take conservative approach as the investment strategy for our clients. In order to maintain our competitive advantage, we are going to enhance our product range and quality of service and recruit more consultants. We will also implement more marketing campaigns to promote our brand name and motivate our consultants.

INVESTMENT BANKING

Operating revenue generated by the investment banking business reduced to HK$666,000 (2007: HK$942,000). The increasing uncertainties among the investors about the global economic outlook and the deepening credit market had created slumps in major stock indexes around the globe. The restrictive policies launched in the PRC by the central government before the Beijing Olympic 2008 further suppressed the commercial activities in the region. All these had been making operation of financial industry challenging. However, the division was still able to source several mandates on financial advisory and fund raising. It is expected that these new businesses will bring along fruitful results for the rest of the year if not yet reflected in the period under review.

The investment banking division will continue to concentrate on building its premier boutique investment-banking image and provide corporate clients with tailor-made and cost effective financial advisory services. Given the prosperous economic growth in the PRC, the management is optimistic about the business in the future.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2008, the Group had shareholders' funds of approximately HK$640,340,000 (31 December 2007: HK$576,730,000). The net current assets of the Group were HK$66,774,000 (31 December 2007: HK$89,944,000), which consisted of current assets of HK$215,212,000 (31 December 2007: HK$299,649,000) and current liabilities of HK$148,438,000 (31 December 2007: HK$209,705,000), representing a current ratio of approximately 1.45 (31 December 2007: 1.43).

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 under review, the Group has no short-term bank borrowings (31 December 2007: Nil). As at 30 June 2008, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$32,087,000 (31 December 2007: HK$42,264,000).

As at 30 June 2008, 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 (31 December 2007: 0) since no bank borrowings as at 30 June 2008.

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 2008 (31 December 2007: Nil).

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2008. 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 2008, bank deposits amounting to HK$53,520,000 (31 December 2007: HK$63,141,000). Bank deposits of approximately HK$7,402,000 (31 December 2007: HK$8,541,000) was pledged to secure banking facilities granted to a subsidiary and no margin clients' listed securities were pledged and approximately HK$46,118,000 (31 December 2007: HK$54,600,000) was pledged as requested by the Government of Egypt in relation to the oil and gas exploration and production business of Block 2.

CAPITAL STRUCTURE

As at 30 June 2008, the total number of issued ordinary shares of the Company was 593,561,612 of HK$0.10 each (31 December 2007: 593,561,612 shares of HK$0.10 each).

HUMAN RESOURCES

As at 30 June 2008, the Group employed a total of 110 staff (31 December 2007: 138) of which, 62 were commissioned based (31 December 2007: 82) and the total related staff cost amounted to HK$6,852,000 (2007: HK$7,027,000). 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 2008 (2007: Nil).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

At 30 June 2008, 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	52.52%
Mr. Nam Kwok Lun *(Note)*	Interest of controlled corporation	311,718,000	52.52%

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 2008, 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 2008, 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	52.52%

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 implementation of any long-term business plans, the Board believes that the roles of Chairman and Managing Director provides the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategies, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six-month period ended 30 June 2008, 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 2008, 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 2008 and 26 September 2008 (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

26 September 2008

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 22 to 36, which comprise the condensed consolidated balance sheet of Karl Thomson Holdings Limited as of 30 June 2008 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
26 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	Six months ended 30 June 2008 HK$'000 (unaudited)	30 June 2007 HK$'000 (unaudited)
Revenue	3	27,748	35,718
Exchange gain		1,883	–
Other income		1,586	1,462
(Allowance) write-back of allowance for bad and doubtful debts		(100)	264
Amortisation of intangible assets		(3)	(3)
Depreciation		(277)	(198)
Finance costs		(725)	(54)
Other operating expenses		(19,841)	(20,079)
Staff costs		(6,852)	(7,027)
Share of result of an associate		28,764	5,007
Share of result of a jointly controlled entity		–	545
Profit before taxation		32,183	15,635
Taxation	4	–	(680)
Profit for the period		32,183	14,955
Attributable to:			
Equity holders of the Company		33,624	14,919
Minority interests		(1,441)	36
		32,183	14,955
Earnings per share	6		
Basic		HK5.66 cents	HK3.09 cents
Diluted		N/A	HK3.06 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2008

	NOTES	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets	*7*	920	968
Intangible assets		8	11
Exploration and evaluation assets	*8*	397,846	345,371
Interest in an associate		169,965	135,356
Statutory deposits		4,000	4,150
Loans receivable	*9*	827	930
		573,566	486,786
CURRENT ASSETS			
Accounts receivable	*10*	47,224	89,056
Loans receivable	*9*	721	876
Other receivables, prepayments and deposits		3,209	3,061
Tax recoverable		1,078	257
Pledged fixed deposits (general accounts)	*11*	53,520	63,141
Bank balances (trust and segregated accounts)		77,373	100,994
Bank balances (general accounts) and cash		32,087	42,264
		215,212	299,649

	NOTES	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
CURRENT LIABILITIES			
Accounts payable	12	87,989	136,459
Other payables and accrued expenses		10,856	19,697
Other loans	13	6,050	5,594
Amount due to a joint venturer		18,539	23,174
Amounts due to directors		21,759	21,536
Tax payable		3,245	3,245
		148,438	209,705
NET CURRENT ASSETS		66,774	89,944
NET ASSETS		640,340	576,730
CAPITAL AND RESERVES			
Share capital	14	59,356	59,356
Reserves		501,284	436,233
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		560,640	495,589
MINORITY INTERESTS		79,700	81,141
TOTAL EQUITY		640,340	576,730

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Investments revaluation reserve HK$'000	Currency translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
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
At 1 January 2008 (audited)	59,356	328,003	29,140	–	14,807	64,283	495,589	81,141	576,730
Exchange differences arising on translation	–	–	–	–	25,582	–	25,582	–	25,582
Share of reserves of an associate that recognised directly in equity	–	–	–	1,006	4,839	–	5,845	–	5,845
Net income recognised directly in equity	–	–	–	1,006	30,421	–	31,427	–	31,427
Profit (loss) for the period	–	–	–	–	–	33,624	33,624	(1,441)	32,183
Total recognised income (expense) for the period	–	–	–	1,006	30,421	33,624	65,051	(1,441)	63,610
At 30 June 2008 (unaudited)	59,356	328,003	29,140	1,006	45,228	97,907	560,640	79,700	640,340

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 reorganisation of the Group.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended	
	30 June 2008 *HK$'000* (unaudited)	30 June 2007 *HK$'000* (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	9,912	(29,599)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	(257)	(95)
Proceeds from disposal of fixed assets	1	–
Purchase of exploration and evaluation assets	(22,730)	–
Loan to a jointly controlled entity	–	(4,114)
Decrease (increase) in pledged fixed deposits (general accounts)	11,320	(183)
Other investing cash flows	524	–
	(11,142)	(4,392)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	21,090
Bank borrowings raised	–	20,899
Repayments of other loans	(99)	–
Repayment of amount due to a joint venturer	(6,934)	–
Other financing cash flows	(1,914)	–
	(8,947)	41,989
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,177)	7,998
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	42,264	16,116
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES (GENERAL ACCOUNTS) AND CASH	32,087	24,114

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

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

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 on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HK (IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK (IFRIC) – INT 12	Service concession arrangements
HK (IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new Interpretations 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 required.

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 13	Customer loyalty programmes[3]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[4]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 July 2008.
4 Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions, namely, broking, securities margin financing and oil and gas segments. These divisions are the basis on which the Group reports its primary segment information.

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

	Broking		Securities margin financing		Oil and gas		Others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
Segment revenue	25,847	33,307	1,167	1,370	–	–	734	1,041	27,748	35,718
RESULTS										
Segment profit (loss)	2,083	10,769	1,162	1,376	(501)	–	(425)	(1,841)	2,319	10,304
Unallocated income									1,883	–
Unallocated expenses									(783)	(221)
Share of result of an associate									28,764	5,007
Share of result of a jointly controlled entity									–	545
Profit before taxation									32,183	15,635
Taxation									–	(680)
Profit for the period									32,183	14,955

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2008 as the companies within the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by estimated tax losses brought forward. Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30 June 2007.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009.

No provision for profits tax is made in other jurisdictions as the subsidiaries in other jurisdictions have no assessable profits for the period.

5. DIVIDENDS

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend.

6. 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 2008 ***HK$'000***	30 June 2007 *HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	**33,624**	14,919
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**593,562**	482,173
Effect of dilutive potential ordinary shares arising from share options	**N/A**	4,674
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	486,847

No diluted earnings per share was presented as there were no potential ordinary shares during the current period.

7. FIXED ASSETS

During the period, the Group disposed of certain leasehold improvements and furniture and fixtures with a carrying amount of approximately HK$28,000 for proceeds of approximately HK$1,000, resulting in a loss on disposal of fixed assets amounted to approximately HK$27,000. No disposal was noted during the six months ended 30 June 2007.

In addition, the Group acquired computer equipment and furniture and fixtures at an aggregate cost of approximately HK$257,000 (2007: HK$95,000).

8. EXPLORATION AND EVALUATION ASSETS

	Oil concession rights *HK$'000*	Others *HK$'000*	Total *HK$'000*
COST AND CARRYING VALUES			
At 1 January 2007 and 30 June 2007	—	—	—
Acquired on acquisition of a subsidiary	310,758	22,884	333,642
Additions	—	4,666	4,666
Exchange adjustment	6,502	561	7,063
At 31 December 2007	317,260	28,111	345,371
Additions	—	22,730	22,730
Exchange adjustment	26,956	2,789	29,745
At 30 June 2008	344,216	53,630	397,846

9. LOANS RECEIVABLE

	30 June 2008 ***HK$'000***	31 December 2007 *HK$'000*
Fixed-rate loans receivable denominated in Hong Kong dollars	**1,548**	1,806
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**721**	876
Non-current assets (receivable after 12 months from the balance sheet date)	**827**	930
	1,548	1,806

The maturity of the loans receivable is as follows:

	30 June 2008 HK$'000	31 December 2007 HK$'000
Within 1 year	721	876
In more than 1 year but not more than 2 years	70	138
In more than 2 years but not more than 3 years	75	73
In more than 3 years but not more than 4 years	81	78
In more than 4 years but not more than 5 years	87	84
In more than 5 years	514	557
	1,548	1,806

Loans receivable with an aggregate carrying value of approximately HK$893,000 (31 December 2007: HK$924,000) are secured by a property located in Hong Kong. The Group is not permitted to sell or repledge the pledged assets in the absence of default by the customers.

The effective interest rates (which are equal to contractual interest rate) on the Group's loans receivable ranged from 7% to 9.75% (31 December 2007: 7% to 9.75%) per annum. Interest rate is fixed at the time of entering into the loan agreement.

10. ACCOUNTS RECEIVABLE

	30 June 2008 HK$'000	31 December 2007 HK$'000
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	17,486	23,160
– Hong Kong Securities Clearing Company Limited ("HKSCC")	–	28,054
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	4,771	8,154
Loans to securities margin clients	24,337	29,478
Accounts receivable arising from the business of providing corporate advisory services	630	210
	47,224	89,056

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

Loans to securities margin clients are repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value. The loans are secured by pledged marketable securities at fair value of approximately HK$82,809,000 (31 December 2007: HK$163,071,000). The Group is not permitted to sell or repledge the pledged asset in the absence of default by the customers.

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

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Accounts receivable from corporate advisory clients		
0 to 90 days	**530**	110
91 to 180 days	**100**	100
	630	210

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Accounts receivable from cash clients		
0 to 90 days	**14,305**	21,442
91 to 180 days	**1,347**	1,718
181 to 365 days	**1,834**	—
	17,486	23,160

11. PLEDGED FIXED DEPOSITS

The Group had pledged fixed deposits of approximately HK$7,402,000 (31 December 2007: HK$8,541,000) to banks to secure general banking facilities granted to the Group. The pledged fixed deposits carry interest rates ranging from 3.2% to 4.5% (31 December 2007: 3.1% to 4.4%) per annum and will be released upon the expiry of relevant banking facilities.

At 30 June 2008, the Group had also pledged fixed deposit of approximately HK$46,118,000 (31 December 2007: HK$54,600,000) to a bank for issuance of a bank guarantee which is requested by the Government of Egypt in relation to the oil and gas exploration and production business in Egypt. The deposit carries prevailing market interest rates ranging from 4.9% to 5.5% (31 December 2007: 4.7% to 5.3%) per annum and will be released upon the commencement of oil production.

12. ACCOUNTS PAYABLE

	30 June 2008 ***HK$'000***	31 December 2007 *HK$'000*
Accounts payable arising from the business of dealing in securities:		
— Cash clients	**66,000**	116,269
— HKSCC	**4,785**	—
Accounts payable to clients arising from the business of dealing in futures contracts	**9,691**	15,964
Amounts due to securities margin clients	**7,513**	4,226
	87,989	136,459

The settlement terms of accounts payable to cash clients and HKSCC are usually two days after the trade date and aged within 30 days.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their tradings of futures contracts on the HKFECC. The excess of the outstanding amounts over the required margin deposits stipulated by the HKFECC are repayable to clients on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

Amounts due to securities margin clients are repayable on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

The accounts payable amounting to approximately HK$77,373,000 (31 December 2007: HK$100,994,000) 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.

13. OTHER LOANS

The loans carry interest at 18% (31 December 2007: 18%) per annum and are repayable in one year. The proceeds were used to finance the operation of the oil and gas business.

14. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 30 June 2008	1,000,000	100,000
Issued and fully paid:		
At 1 January 2007	477,000	47,700
Exercise of share options	11,400	1,140
At 30 June 2007	488,400	48,840
Issued in consideration for the acquisition of the issued share capital of a subsidiary	36,807	3,681
Issued for conversion of redeemable convertible preference shares	68,355	6,835
At 31 December 2007 and 30 June 2008	593,562	59,356

15. CAPITAL COMMITMENTS

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Capital expenditure in respect of the acquisition of exploration and evaluation assets contracted for but not provided for	–	6,630
Capital expenditure in respect of the acquisition of exploration and evaluation assets authorised but not contracted for	–	8,899

According to the concession agreement signed by Pan Pacific Petroleum Egypt Pty Ltd. ("Pan Pacific") on 17 September 2006 regarding the exploration of Block 3, Pan Pacific is committed to acquire further seismic data and spend not less than US$3,000,000 (equivalent to HK$23,400,000) during the initial two years, drill two wells and spend not less than US$4,000,000 (equivalent to HK$31,200,000) during the subsequent three years, and drill two wells and spend not less than US$5,000,000 (equivalent to HK$39,000,000) during the last three years. The first US$7,000,000 spending is borne by Groundstar Resources Egypt (Barbados) Inc. ("Groundstar").

According to the concession agreement signed by Aminex Petroleum Egypt Ltd. ("APEL") on 17 September 2006 regarding the exploration of Block 2, APEL is committed to drill three wells and spend not less than US$7,000,000 (equivalent to HK$54,600,000) during the initial three years, drill two wells and spend not less than US$5,000,000 (equivalent to HK$39,000,000) during the subsequent three years, and drill two wells and spend not less than US$4,000,000 (equivalent to HK$31,200,000) during the last two years. Up to 30 June 2008, APEL has spent not less than US$7,000,000 to drill two wells and planned to drill one additional well before 16 September 2009.

16. RELATED PARTY TRANSACTION

During the period, the Group paid administrative expense of approximately HK$238,000 (2007: HK$314,000) to AC Consulting Limited in which Mr. Chow Ka Wo has a beneficial interest and is the Director of Karl Thomson Financial Advisory, a subsidiary of the Company.

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

	Six months ended	
	30 June 2008	30 June 2007
	HK$'000	*HK$'000*
Salaries and allowances	**1,059**	1,811
Retirement benefits scheme contributions	**12**	36
	1,071	1,847