

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KARL THOMSON HOLDINGS LIMITED

高信集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

ANNOUNCEMENT

**DISCLOSEABLE TRANSACTION
SIGNING OF THE PRELIMINARY FARM-OUT AGREEMENT,
THE SUPPLEMENTAL AGREEMENT AND
ACQUISITION OF 50% INTEREST IN ORIENTAL VICTOR LIMITED**

Reference is made to a circular of the Company dated 19 June 2006 in relation to the investment in the share capital of Oriental Victor and grant of shareholder's loan.

On 2 August 2006 (Canadian time) (equivalent to 3 August 2006 Hong Kong time), Aminex Petroleum and Cascadia entered into the Preliminary Farm-Out Agreement pursuant to which Cascadia conditionally agreed to acquire First Energy's 20% beneficial interest in the Oil Field in consideration of (i) Cascadia assuming 40% of capital expenditure of the Oil Field up to a ceiling of US\$9 million; and (ii) Cascadia assuming 20% capital expenditure of the Oil Field for any amount exceeding US\$9 million. The shareholding interest of First Energy in Aminex Petroleum shall remain at 60% after the signing of the Preliminary Farm-Out Agreement, however its beneficial interest in the Oil Field will be reduced from 60% to 40%. Pursuant to the terms of the Preliminary Farm-Out Agreement, Aminex Petroleum and Cascadia have agreed to execute the Formal Farm-Out Agreement within 45 days from the date of the Preliminary Farm-Out Agreement. In the event if the Formal Farm-Out Agreement fails to be signed by the parties thereto within the above time limit, the Preliminary Farm-Out Agreement will be terminated and the capital expenditure of the Oil Field contributed by Cascadia without interest, being US\$2.8 million (equivalent to approximately HK\$21.84 million), will be refunded to Cascadia by Aminex Petroleum. It will be a term of the Formal Farm-Out Agreement that, if the conditions precedent of the Formal Farm-Out Agreement fail to be satisfied or waived (as the case may be) on or before the Long Stop Date, Cascadia is entitled to terminate the Formal Farm-Out Agreement and the capital expenditure of the Oil Field contributed by Cascadia (if any) without interest will be refunded to Cascadia by Aminex Petroleum. However, the Long Stop Date is yet to be agreed by Aminex Petroleum and Cascadia.

On 3 August 2006, Oriental Victor and Volant entered into the Supplemental Agreement pursuant to which both parties acknowledged the acquisition of First Energy's 20% beneficial interest in the Oil Field by Cascadia and each of Oriental Victor, Volant and Cascadia will have a 20% effective interest in the Oil Field as a result of the Preliminary Farm-Out Agreement. Oriental Victor and Volant further acknowledged that pursuant to the terms of the Supplemental Agreement, the capital contribution of each of Oriental Victor and Volant in the Oil Field should be (i) in the proportion of 45:15 if the capital expenditure of the Oil Field does not exceed US\$9 million with the remaining 40% of the capital expenditure to be borne by Cascadia; and 45:35 for any amount exceeding US\$9 million with the remaining 20% of the capital expenditure to be borne by Cascadia, in both cases for such period up to the first production of the Oil Field; and (ii) in the proportion of 20:20 after the commencement of the first production of the Oil Field with the remaining 20% and 40% of the capital expenditure to be borne by Cascadia and Aminex Petroleum Shareholders respectively. Further, the parties to the Supplemental Agreement agreed that the Capital Commitment of Oriental Victor be reduced from US\$14 million to US\$7 million.

On 3 August 2006, KT Energy as the purchaser and Primecode as the vendor entered into the Sale and Purchase Agreement pursuant to which KT Energy acquired the Sale Shares, representing 50% of the issued share capital of Oriental Victor, from Primecode at a consideration of HK\$5,000 which was settled by KT Energy in cash on the same date. **Upon completion of the Sale and Purchase Agreement, Oriental Victor becomes a wholly-owned subsidiary of the Company and the effective interest of the Company in the Oil Field has increased from 15% to 20%.** Notwithstanding the acquisition of 50% interest in Oriental Victor by KT Energy, the Capital Commitment to be contributed by KT Energy remains to be approximately US\$7 million (approximately HK\$54.6 million) in aggregate pursuant to the terms of the Supplemental Agreement.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Investment in aggregate exceed 5% but are below 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules.

A circular containing, among others, further details of the Investment will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Reference is made to a circular of the Company dated 19 June 2006 in relation to the investment in the share capital of Oriental Victor and grant of shareholder's loan.

THE PRELIMINARY FARM-OUT AGREEMENT

On 2 August 2006 (Canadian time) (equivalent to 3 August 2006 Hong Kong time), Aminex Petroleum and Cascadia entered into the Preliminary Farm-Out Agreement pursuant to which Cascadia conditionally agreed to acquire First Energy's 20% beneficial interest in the Oil Field in consideration of (i) Cascadia assuming 40% of capital expenditure of the Oil Field up to a ceiling of US\$9 million; and (ii) Cascadia assuming 20% of capital expenditure of

the Oil Field for any amount exceeding US\$9 million. The shareholding interest of First Energy in Aminex Petroleum shall remain at 60% after the signing of the Preliminary Farm-Out Agreement, however its beneficial interest in the Oil Field will be reduced from 60% to 40%. Pursuant to the terms of the Preliminary Farm-Out Agreement, Aminex Petroleum and Cascadia have agreed to execute the Formal Farm-Out Agreement within 45 days from the date of the Preliminary Farm-Out Agreement. In the event if the Formal Farm-Out Agreement fails to be signed by the parties thereto within the above time limit, the Preliminary Farm-Out Agreement will be terminated and the capital expenditure of the Oil Field contributed by Cascadia, being US\$2.8 million (equivalent to approximately HK\$21.84 million), without interest will be refunded to Cascadia by Aminex Petroleum. Notwithstanding this condition, both Aminex Petroleum and Cascadia have agreed to negotiate in good faith for the signing of the Formal Farm-Out Agreement and some of the main terms, including the conditions precedent of the Formal Farm-Out Agreement have in fact been agreed by all the shareholders of Aminex Petroleum. As such, the Directors have been informed that it is very likely that the Formal Farm-Out Agreement will be executed within the above time limit.

The reasons why Aminex Petroleum was made a party to the Preliminary Farm-Out Agreement were that (i) as the Preliminary Farm-Out Agreement was executed by Aminex Petroleum and all its shareholders, no further consent from the shareholders was needed for Casadia to acquire First Energy's 20% beneficial interest in the Oil Field and (ii) Casadia would have a direct contractual relationship with Aminex Petroleum who will be the holder of the concession right of the Oil Field under the Concession Agreement.

The Formal Farm-Out Agreement is conditional upon, inter alia, receipt of the Egyptian Government's approval to the execution and delivery of the assignment of 20% beneficial interest in the Oil Field by Aminex Petroleum to Cascadia.

It will be a term of the Formal Farm-Out Agreement that, if the conditions precedent of the Formal Farm-Out Agreement fail to be satisfied or waived (as the case may be) on or before the Long Stop Date, Cascadia is entitled to terminate the Formal Farm-Out Agreement and the capital expenditure of the Oil Field contributed by Cascadia (if any) without interest will be refunded to Cascadia by Aminex Petroleum. However, the Long Stop Date is yet to be agreed by Aminex Petroleum and Cascadia and the Directors have been informed by other shareholders of Aminex Petroleum that Aminex Petroleum should be able to obtain the Egyptian Government's approval in relation to the assignment of 20% beneficial interest in the Oil Field by Aminex Petroleum to Cascadia in normal circumstances.

Upon execution of the Preliminary Farm-Out Agreement, Cascadia has remitted a sum of US\$2.8 million being its 40% share to the capital expenditure of the Oil Field for the issue of the performance bond to the Egyptian Government which is a pre-condition for the Egyptian Government signing the Concession Agreement in favour of Aminex Petroleum.

THE SUPPLEMENTAL AGREEMENT

On 7 April 2006, Oriental Victor entered into an agreement with, among others, Swiss-Invest Petroleum Group Limited ("**Swiss-Invest**") and Volant pursuant to which Oriental Victor replaced Swiss-Invest in participating in the 30% interest in the Oil Field. Under that

arrangement, all of the capital expenditure of Aminex Petroleum for the exploration and production of oil in the Oil Field up to the first production will be assumed by First Energy, which will be paid by Oriental Victor and Volant as to 70% and 30% respectively. Thereafter, the capital expenditure of Aminex Petroleum will be borne by all the shareholders of Aminex Petroleum in proportion to their actual shareholdings and Oriental Victor and Volant will each bear 50% of the capital expenditure of First Energy.

On 3 August 2006, Oriental Victor and Volant entered into the Supplemental Agreement pursuant to which both parties acknowledged the acquisition of First Energy's 20% beneficial interest in the Oil Field by Cascadia and each of Oriental Victor, Volant and Cascadia will have a 20% effective interest in the Oil Field as a result of the Preliminary Farm-Out Agreement. Oriental Victor and Volant further acknowledged that pursuant to the Supplemental Agreement that the capital contribution of each of Oriental Victor and Volant in the Oil Field should be revised to (i) in the proportion of 45:15 if the capital expenditure of the Oil Field does not exceed US\$9 million with the remaining 40% of the capital expenditure to be borne by Cascadia; and 45:35 for any amount exceeding US\$9 million with the remaining 20% of the capital expenditure to be borne by Cascadia, in both cases for such period up to the first production of the Oil Field; and (ii) in the proportion of 20:20 after the commencement of the first production of the Oil Field with the remaining 20% and 40% of the capital expenditure to be borne by Cascadia and Aminex Petroleum Shareholders respectively. Further, in view of the reduction of Oriental Victor's interest in the Oil Field from 30% to 20% pursuant to the Preliminary Farm-Out Agreement, the parties to the Supplemental Agreement further agreed that the Capital Commitment of Oriental Victor be reduced from US\$14 million to US\$7 million with the remaining capital commitment being assumed by Cascadia and Volant.

Under the previous structure, Oriental Victor would be responsible for 70% of the capital expenditure of Aminex Petroleum up to the first production for its 30% interest in the Oil Field. Under the revised structure, although Oriental Victor's interest in the Oil Field has been reduced from 30% to 20%, its share of capital expenditure up to first production has also been reduced from 70% to 45%. As disclosed in the Company's circular dated 19 June 2006, the need to be responsible for more of the capital expenditure in Aminex Petroleum than Volant in the proportion of 70:30 in the previous arrangement was agreed by Swiss-Invest. The current capital expenditure sharing of 45:15 or 45:35 (as the case may be) between Oriental Victor and Volant, although unevenly spread, have taken into account of (i) the effort already put in and expenses incurred by Triton Hydrocarbons Pty Ltd. (the former shareholder of First Energy whose interest has been transferred to Volant) in obtaining the interest in the exploration and production rights of oil in the Oil Field and (ii) the effort already put in and expenses incurred by the other shareholders of Aminex Petroleum prior to the signing of the Supplemental Agreement. Further details of the work done by Triton Hydrocarbons Pty Ltd. (the former shareholder of First Energy) and the other shareholders of Aminex Petroleum in obtaining the interest in the exploration and production rights of oil in the Oil Field will be disclosed in the circular to be dispatch to the Shareholders. Notwithstanding that the responsibility for capital expenditure is not in proportion to Oriental Victor's interest in First Energy, the revised arrangement reduces the capital

expenditure responsibility of Oriental Victor from 70% to 45% and improves the overall position of the Group on a per unit basis, the Directors are therefore of the view that the terms of the Supplemental Agreement are in the interest of the Group and its shareholders as a whole.

THE SALE AND PURCHASE AGREEMENT

Date

3 August 2006

Parties

Vendor: Primecode, being the then shareholder holding 50% interest in Oriental Victor prior to completion of the Sale and Purchase Agreement

Purchaser: KT Energy, being the shareholder holding the remaining 50% interest in Oriental Victor prior to completion of the Sale and Purchase Agreement and a wholly-owned subsidiary of the Company

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, Primecode and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject matter of the Acquisition

The Sale Shares, representing 50% of the issued share capital of Oriental Victor.

Consideration

The total consideration for the Sale Shares is HK\$5,000 which has been satisfied by KT Energy in cash on 3 August 2006.

Completion

Completion of the Sale and Purchase Agreement has taken place on 3 August 2006.

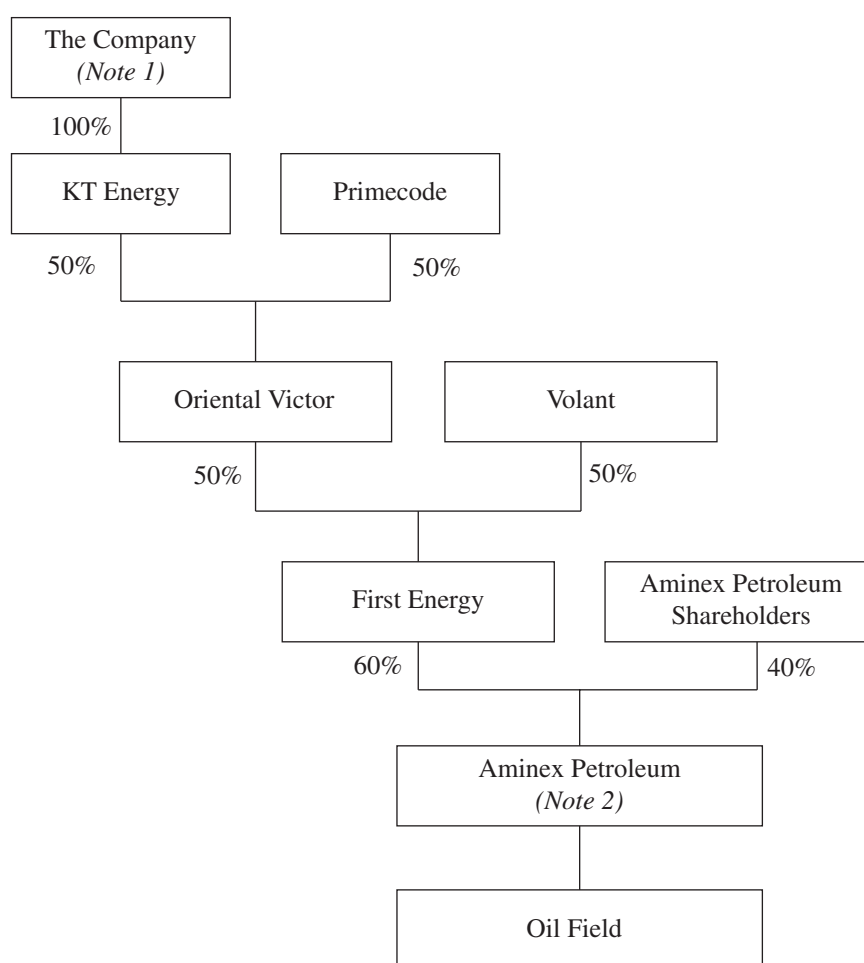
Upon completion of the Sale and Purchase Agreement, Oriental Victor becomes a wholly-owned subsidiary of the Company and the effective interest of the Company in the Oil Field has increased from 15% to 20%. Notwithstanding the acquisition of 50% interest in Oriental Victor by KT Energy, the Capital Commitment to be contributed by KT Energy remains to be approximately US\$7 million (approximately HK\$54.6 million) in aggregate pursuant to the terms of the Supplemental Agreement.

As at 4 August 2006, out of the said US\$7 million (approximately HK\$54.6 million), the Company has already contributed a total sum of US\$4.1 million (approximately 31.98 million) for the signature bonus and performance bond. The remaining commitment of

US\$2.9 million (approximately HK\$22.62 million) will be contributed by the Company in stages according to the budgets as may be agreed by the board of directors of Aminex Petroleum after the granting of the concession right of the Oil Field by the Egyptian Government to Aminex Petroleum.

The terms of the Agreement have been arrived at after arm's length negotiation between parties thereto by reference to the actual costs of the setting up of the special purpose vehicle for the acquisition.

Immediately before signing of the Agreements, the Company's interest in the Oil Field was as follows:

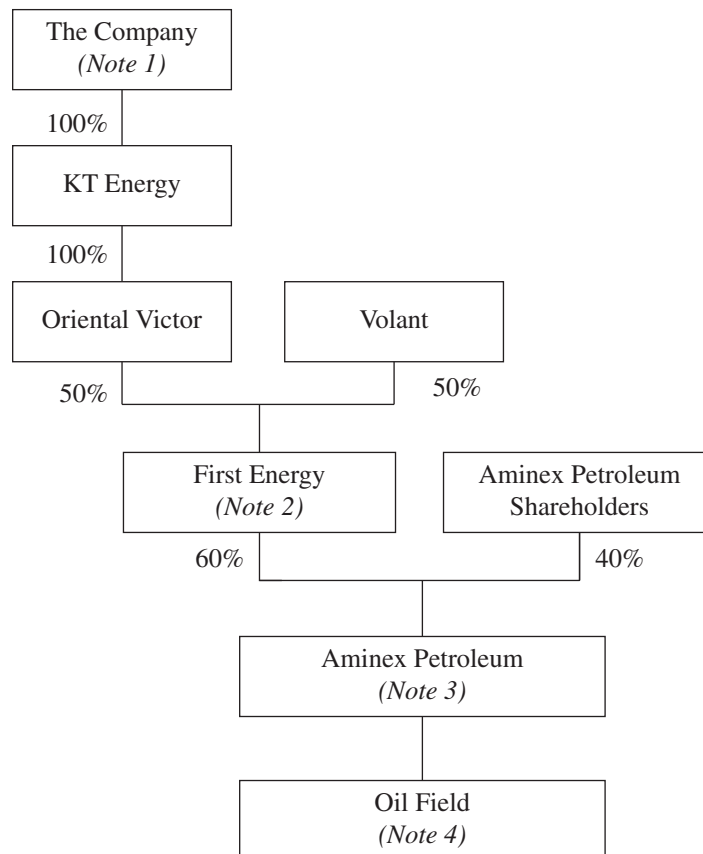


Notes:

1. The Company had a 15% effective interest in the Oil Field through its 50% interest in Oriental Victor.
2. For the purpose of obtaining the concession right of the Oil Field, one of the Aminex Petroleum Shareholders, Aminex, is at present the registered owner of 100% shareholding in Aminex Petroleum but Aminex only holds the said shareholding as trustee for First Energy in relation to 60% interest and Aminex Petroleum Shareholders (including Aminex PLC) in relation to the remaining 40% interest in the form of a voting trust. Aminex will cause the 60% shareholding interest to be registered in the name of First Energy and 40% shareholding interest in the name of Aminex Petroleum Shareholders (including Aminex) two months after the date of the Concession Agreement.

- Primecode is a special purpose vehicle set up to acquire from Holley the 50% interest in Oriental Victor. The shareholders of Primecode are independent third parties.

Upon completion of the Sale and Purchase Agreement, the Company's interest in the Oil Field is as follows:



Notes:

- Upon completion of the Sale and Purchase Agreement, the Company's beneficial interest in the Oil Field has been increased from 15% to 20%.
- First Energy's 20% beneficial interest in the Oil Field has effectively been assigned to Cascadia pursuant to the terms of the Preliminary Farm-Out Agreement. As a result thereof, each of First Energy, Cascadia and Aminex Petroleum Shareholders is beneficially interested in 40%, 20% and 40% in the Oil Field.
- For the purpose of obtaining the concession right of the Oil Field, one of the Aminex Petroleum Shareholders, Aminex, is at present the registered owner of 100% shareholding in Aminex Petroleum but Aminex only holds the said shareholding as trustee for First Energy in relation to 60% interest and Aminex Petroleum Shareholders (including Aminex PLC) in relation to the remaining 40% interest in the form of a voting trust. Aminex will cause the 60% shareholding interest to be registered in the name of First Energy and 40% shareholding interest in the name of Aminex Petroleum Shareholders (including Aminex) two months after the date of the Concession Agreement.
- Upon completion of the Sale and Purchase Agreement, each of the Company, Volant, Cascadia and Aminex Petroleum Shareholders is beneficially interested in 20%, 20%, 20% and 40%, respectively in the Oil Field.

Information on Oriental Victor

Oriental Victor is an investment holding company established in Hong Kong on 24 February 2006. Immediately prior to signing of the Sale and Purchase Agreement, Oriental Victor had

an issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and was owned as to 50% by KT Energy and as to 50% by Primecode. As at 31 July 2006, the net assets of Oriental Victor were HK\$4,500, which was contributed by gross assets and gross liabilities of HK\$7,392,100 and HK\$7,387,600, respectively, and it has not recorded any tax and turnover in its account since incorporation.

Information on Volant, First Energy, Aminex Petroleum, Aminex Petroleum Shareholders and Cascadia

As far as the Directors are aware, the principal business of Volant is the acquisition of oil and gas exploration and production tenements, the investment in companies which are active in oil and gas exploration and production, the provision of capital and management to those investee companies. Volant is in the process of accumulating a portfolio of oil and gas exploration and production assets within the Middle East and North Africa regions. Besides the Oil Field, Volant also has interest in another oil field known as Block 3, West Kom Ombo in Egypt. To the best knowledge of the Directors, Volant and its beneficial shareholders are not connected persons of the Company.

First Energy is principally engaged in oil exploration and production. First Energy is owned as to 50% by Oriental Victor and 50% by Volant.

First Energy is a joint venture company of the Company for equity accounting purpose and its accounts will not be consolidated into the Group's accounts. The net profit or loss before taxation and the net assets or net liabilities of First Energy will be incorporated in the consolidated financial statements of the Company using the equity method of accounting in accordance with the shareholding percentage held by the Company in First Energy, which is 50%.

As First Energy holds 60% interest in Aminex Petroleum, the accounts of Aminex Petroleum will be consolidated into the accounts of First Energy.

As a result, the audited net liabilities value attributable to 50% of First Energy (as consolidated) as at 30 June 2005 amounted to HK\$196,000. First Energy did not record any profit for each of the two financial years ended 30 June 2005.

Aminex Petroleum is principally engaged in contracting exploration and production rights in respect of the Oil Field and will commence its operation after obtaining the concession right from the Egyptian Government. Aminex Petroleum will be a party to the Concession Agreement and it is expected that the Concession Agreement will be signed in August 2006. To the best knowledge of the Directors, the other beneficial shareholders of Aminex Petroleum are not connected persons of the Company.

As far as the Directors are aware, Aminex Petroleum Shareholders are principally engaged in the oil exploration business. To the best knowledge of the Directors, Aminex Petroleum Shareholders and their respective beneficial shareholders are not connected persons of the Company.

As far as the Directors are aware, Cascadia is a wholly-owned subsidiary of Groundstar. Groundstar is a Canadian-based oil and gas company actively pursuing international exploration and production opportunities and its shares are listed on the TSX Venture Exchange. The members of its board of directors comprise of various professionals specialized in reservoir engineering, exploration, geology and petroleum engineering and each has extensive experience in the oil and gas industry. At present, the areas of primary interest to Groundstar are Guyana, Egypt, Libya and the Caspian Sea Region. Like Volant, Groundstar also has interest in Block 3, West Kom Ombo oil field in Egypt. Furthermore, Groundstar has been awarded a petroleum prospecting licence for the Takutu Basin in Guyana. To the best knowledge of the Directors, Cascadia, Groundstar and their respective beneficial shareholders are not connected persons of the Company.

Information on the Group

The principal activity of the Group is the provision of financial services, including securities and futures brokerage, securities margin financing, financial advisory services and investment banking.

Information on Primecode

Primecode is a special purpose vehicle established for the purpose of acquiring the interest in Oriental Victor from Holley.

Reasons for entering into the Investment

Aminex Petroleum entered into the Preliminary Farm-Out Agreement with Cascadia for the purpose of making better use of Groundstar's expertise and resources in oil exploration business when operating the Oil Field. In the long run, the Directors are of the view that it will be beneficial to the Company for the local experts as well as three listed companies around the world, namely the Company from Hong Kong, Volant from Australia and Groundstar from Canada to participate in the Oil Field. Thus the necessary expertise and resources are all in place for the operation of the Oil Field as soon as the Concession Agreement is signed by the Egyptian Government.

KT Energy entered into the Sale and Purchase Agreement for the purpose of consolidating and furthering its interest in the Oil Field. Upon completion of the Sale and Purchase Agreement, the effective interest of the Company in the Oil Field has been increased from 15% to 20%. The Directors were informed that the other original shareholder of Oriental Victor, Holley, despite its immense effort, was unable to obtain the necessary governmental approval in time for the payment of the signature bonus to the Egyptian Government. In order not to jeopardize Aminex Petroleum in obtaining the concession right of the Oil Field, Holley agreed to transfer its interest in the Oil Field to other new investors. The other shareholders of Aminex Petroleum then started negotiation with other investors who were then interested in participating in the Oil Field and in the meantime financed Holley's share of the signature bonus. As a result thereof, Holley transferred its entire interest in Oriental Victor to Primecode on 27 June 2006. It was anticipated that the transfer of Oriental Victor's 50% interest to Primecode was only a temporary measure before any new investors were brought in to take up Holley's share in Oriental Victor. In the course of negotiation with other

investors, the Company considered it was in the Company's interest to increase its share in the Oil Field. After arm's length negotiating and careful evaluation of various offers, all shareholders of Aminex Petroleum agreed to accept Cascadia as the new investor and agreed on the present new structure. The Directors are of the view that it is in the interest of the Company and its Shareholders as a whole to acquire Primecode's 50% interest in Oriental Victor so as to consolidate and increase its interest in the Oil Field.

Based on the above reasons, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company intends to continue its existing business and further its business in the oil industry and is looking for and will continue to look for suitable oil fields for future investment and shall issue further announcements according to and comply with the other requirements of the Listing Rules as circumstances require. As at the date of this announcement, the Company has not identified any oil field for future investment.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Investment in aggregate exceed 5% but are below 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules.

General

A circular containing, among others, further details of the Agreements will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

“Agreements”	the Sale and Purchase Agreement, the Preliminary Farm-Out Agreement and the Supplemental Agreement
“Aminex”	Aminex PLC, a company listed on the London Stock Exchange, is the registered owner of 100% shareholding in Aminex Petroleum and one of the Aminex Petroleum Shareholders
“Aminex Petroleum”	Aminex Petroleum Egypt Ltd., a company incorporated in the British Virgin Islands with limited liability
“Aminex Petroleum Shareholders”	the shareholders of Aminex Petroleum (other than First Energy) holding 40% interest in Aminex Petroleum
“Board”	the board of Directors
“Capital Commitment”	the total funding commitment of US\$7 million (approximately HK\$54.6 million) to be contributed by each of Holley and KT Energy to Oriental Victor to enable it to participate in the exploration and production of the Oil Field

“Cascadia”	Cascadia Fine Art Investment (Barbados) Inc., a company incorporated in Barbados and is a wholly-owned subsidiary of Groundstar and holds 20% beneficial interest in the Oil Field pursuant to the terms of the Preliminary Farm-Out Agreement
“Company”	Karl Thomson Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Concession Agreement”	the formal agreement to be executed by Aminex Petroleum and the Egyptian Government whereby the concession right of the Oil Field will be formally granted to Aminex Petroleum
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“First Energy”	First Energy Pty Ltd., a company incorporated in Australia with limited liability and holds 40% beneficial interest in the Oil Field pursuant to the terms of the Preliminary Farm-Out Agreement
“Formal Farm-Out Agreement”	the formal farm-out agreement to be entered into between Aminex Petroleum and Cascadia pursuant to the terms of the Preliminary Farm-Out Agreement
“Group”	the Company and its subsidiaries
“Groundstar”	Groundstar Resources Limited, a Canadian based company and its shares are listed on the TSX Venture Exchange and the holding company of Cascadia
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Holley”	Holley International (Hong Kong) Limited, a company incorporated in Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investment”	the investment made by KT Energy in the share capital of Oriental Victor for the purpose of obtaining 20% effective interest in the Oil Field
“KT Energy”	Karl Thomson Energy Limited, previously known as Surewin Management Limited, a company incorporated in the British Virgin Islands and wholly owned by the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the long stop date to be agreed between Aminex Petroleum and Cascadia in relation to the Formal Farm-Out Agreement
“Oil Field ”	an oil field known as Block 2, West Esh El Mallaha, in the Arab Republic of Egypt
“Oriental Victor”	Oriental Victor Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company upon completion of the Sale and Purchase Agreement
“PRC”	the People’s Republic of China
“Primecode”	Primecode Limited, a company incorporated in the British Virgins Limited and was the then shareholder of Oriental Victor holding 50% interest in Oriental Victor prior to completion of the Sale and Purchase Agreement
“Preliminary Farm-Out Agreement”	an agreement dated 2 August 2006 (Canadian time) (equivalent to 3 August 2006 Hong Kong time) entered into between Aminex Petroleum and Cascadia in relation to, among other matters, Cascadia’s acquisition of First Energy’s 20% beneficial interest in the Oil Field
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	a sale and purchase agreement dated 3 August 2006 entered into between KT Energy and Primecode in relation to the acquisition of 50% interest in Oriental Victor
“Sale Shares”	5,000 ordinary shares of HK\$1.00 each in the capital of Oriental Victor, representing 50% of the issued share capital of Oriental Victor
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	a supplemental agreement dated 3 August 2006 entered into between Oriental Victor and Volant in relation to, among other matters, their rights and obligations in First Energy
“US\$”	United States dollars, the lawful currency of the United States of America

“Volant”

Volant Petroleum Limited (formerly known as Bligh Ventures Limited), a company duly incorporated and existing under the laws of Queensland and its shares are listed on the Australian Stock Exchange and holding 50% interest in First Energy

Notes:

1. For the purposes of this announcement, unless otherwise indicated, exchange rate of HK\$7.80 = US\$1.00 has been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or US\$ have been, could have been or may be converted at such rates or any other exchange rates.
2. For the purposes of this announcement, unless otherwise indicated, references to time and dates are references to Hong Kong times and dates.

As at the date of this announcement, the executive Directors are Mr. Lam Kwok Hing and Mr. Nam Kwok Lun, and the independent non-executive Directors are Mr. Chen Wei-ming, Eric, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David.

By order of the Board
Karl Thomson Holdings Limited
Lui Choi Yiu, Angela
Company Secretary

8 August 2006, Hong Kong

** For identification purpose only*

Please also refer to the published version of this announcement in China Daily.