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If you have sold or transferred all your shares in KARL THOMSON HOLDINGS LIMITED (高信集團控股有限公司*), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or to the transferee.

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KARL THOMSON HOLDINGS LIMITED

(高信集團控股有限公司*)

(incorporated in Bermuda with limited liability)

(Stock Code: 7)

**RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE AND REPURCHASE OF SHARES
AND
AMENDMENTS TO THE BYE-LAWS**

A notice convening the Annual General Meeting of the Company to be held at Unit 701, Tower One, Lippo Centre, 89 Queensway, Hong Kong at 11:00 a.m. on 1 June 2006 is set out on pages 98 to 104 of the Annual Report. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's branch share registrar and transfer office in Hong Kong, Standard Registrars Limited, at 26 Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annual General Meeting”	the annual general meeting of the Company to be held at Unit 701, Tower One, Lippo Center, 89 Queensway, Hong Kong at 11:00 a.m. on 1 June 2006
“Annual Report”	the annual report of the Company for the year ended 31 December 2005
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“chief executive”	has the meaning ascribed to it in the Listing Rules
“Company”	KARL THOMSON HOLDINGS LIMITED (高信集團控股有限公司*), an exempted company incorporated in Bermuda with limited liability and the securities of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

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KARL THOMSON HOLDINGS LIMITED

(高信集團控股有限公司*)

(incorporated in Bermuda with limited liability)

(Stock Code: 7)

Directors:

Executive Directors:

Mr. Lam Kwok Hing (*Chairman*)

Mr. Nam Kwok Lun (*Deputy Chairman and Managing Director*)

Independent Non-Executive Directors:

Mr. Chen Wei-Ming Eric

Mr. Kwan Wang Wai Alan

Mr. Ng Chi Kin David

Head office and

principal place of business:

Unit 801

Tower One

Lippo Centre

89 Queensway

Hong Kong

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

26 April 2006

To the Shareholders

Dear Sir or Madam,

**RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE AND REPURCHASE OF SHARES
AND
AMENDMENTS TO THE BYE-LAWS**

I. INTRODUCTION

The purpose of this circular is to give you information regarding the following resolutions to be proposed at the Annual General Meeting to enable the Shareholders to make an informed decision on whether to vote for or against the resolutions, notice of which is set out on pages 98 to 104 of the Annual Report.

At the Annual General Meeting, the resolutions regarding: (i) the re-election of Directors; (ii) granting to the Directors general mandates for the issue and repurchase of the Shares repurchase of its Shares; and (iii) the amendments to the Bye-Laws will be proposed.

* *For identification purpose only*

LETTER FROM THE BOARD

II. RE-ELECTION OF DIRECTORS

Pursuant to the Bye-laws, one-third of directors of the Company are subject to retirement by rotation save any Director holding office as Chairman or Managing Director at every annual general meeting. Pursuant to Bye-law 99 of the Bye-laws, Mr. Ng Chi Kin David will retire and, being eligible, will offer himself for re-election at the Annual General Meeting. The details and brief biography of the Director to be re-elected at the Annual General Meeting are set out below.

Mr. Ng Chi Kin David (“Mr. Ng”), aged 45, was appointed as an independent non-executive Director on 8 September 2000, since the listing of the Company. Mr. Ng is the independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise of the Company pursuant to Rule 3.10(2) of the Listing Rules. Mr. Ng does not hold other position in the Group. Mr. Ng is a professional accountant with over twenty-one years of professional experience and is a fellow member of the Hong Kong Institute of Certified Public Accounts, member of CPA Australia, Hong Kong Institute of Company Secretaries and Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Ng is also an independent non-executive director of Asia Tele-Net and Technology Corporation Limited, a publicly listed company in Hong Kong. Other than this and the directorship in the Company, he did not hold directorship in other listed public companies in Hong Kong in the last three years. Mr. Ng does not have any relationships with any directors, senior management, substantial or controlling Shareholder of the Company for the purpose of the Listing Rules. As at the Latest Practicable Date, Mr. Ng does not have any interest in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

The period of appointment of Mr. Ng is three years since 28 September 2005 and subject to retirement and re-election provisions in accordance with the Bye-laws. Mr. Ng’s annual remuneration is HK\$50,000 which is based on mutual agreement between the Board and Mr. Ng and Mr. Ng’s responsibilities and duties in the Company.

The Board is not aware of any other matters that need to be brought to the attention of Shareholders in relation to the proposed re-election of the aforesaid retiring directors. Mr. Ng confirms that there are no information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

III. GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to allot, issue and deal with additional Shares representing not more than 20% of the aggregate nominal amount of the issued share capital of the Company at the date the relevant resolution is passed at the Annual General Meeting (the “Issue Mandate”).

LETTER FROM THE BOARD

IV. GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase on the Stock Exchange the Shares in the Company up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date the relevant resolution is passed at the Annual General Meeting (the “Repurchase Mandate”).

In addition, an ordinary resolution will be proposed at the Annual General Meeting providing that any Shares repurchased under the Repurchase Mandate (up to maximum of 10% of the issued Shares as at the date of the grant of the Repurchase Mandate) will be added to the total number of Shares which may be allotted and issued under the Issue Mandate.

The Repurchase Mandate and the Issue Mandate would continue in force until the first occurrence of either the conclusion of the next annual general meeting of the Company following the passing of the relevant resolutions unless it is renewed at such meeting or the expiration of the period within which the next annual general meeting of the Company is required by the Company’s Bye-laws or any applicable law to be held or it is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed general mandate to repurchase Shares is set out in the Appendix to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution at the Annual General Meeting.

V. AMENDMENTS TO THE BYE-LAWS

In order to align the Bye-laws with the Code on Corporate Governance Practice set out in Appendix 14 to the Listing Rules, the Directors propose to seek approval from the Shareholders at the Annual General Meeting to amend Bye-law 102(A) and (B) so that any Director elected to fill a casual vacancy shall hold office only until the next following general meeting of the Company.

Further, to align the Bye-laws with the amendments to the Listing Rules that came into effect on 1 March 2006, the Directors propose to seek approval from the Shareholders at the Annual General Meeting to amend Bye-law 104 so that a Director may be removed by an ordinary resolution in general meeting instead of a special resolution.

LETTER FROM THE BOARD

SPECIAL RESOLUTION

“**THAT** the existing Bye-Laws of the Company be and are hereby amended in the following manner:

- (a) by replacing the word “Special” with the word “Ordinary” in the existing Bye-Law 97(A)(vi);
- (b) by deleting the existing Bye-Law 102(A) in its entirety and substituting the same with the following new Bye-Law 102(A):

“102(A) The Company may from time to time in general meeting by Ordinary Resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.”;

- (c) by deleting the existing Bye-Law 102(B) in its entirety and substituting the same with the following new Bye-Law 102(B):

“102(B) The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.”;

- (d) by replacing the word “Special” with “Ordinary” and the words “the next following annual general meeting of the Company” with “the next following general meeting of the Company” in the existing Bye-law 104; and
- (e) by replacing the word “Special” with “Ordinary” immediately after the words “Power to remove Director by” in the margin notes to Bye-Law 104.”

LETTER FROM THE BOARD

VI. ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting for the purpose of considering and, if thought fit, passing: (i) an ordinary resolution to re-elect of Directors; (ii) an ordinary resolution to grant to the Directors general mandates for the issue of the Shares and the repurchase of its Shares; and (iii) a special resolution to amend the Bye-laws. A form of proxy is enclosed for use by the Shareholders. Shareholders are requested to complete and return the form of proxy to the Company's branch share registrar and transfer offer in Hong Kong, Standard Registrars Limited at 26 Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the scheduled time of the Annual General Meeting. The lodging of the form of proxy will not preclude the Shareholders from attending the Annual General Meeting and voting in person should he so wish. No Shareholder is required under the Listing Rules to abstain from voting at the Annual General Meeting.

VII. RECOMMENDATION

The Board is of the opinion that (i) the re-election of Directors; (ii) the granting of the general mandates to the Directors to issue Shares and to repurchase Shares; and (iii) a special resolution to amend the Bye-laws are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

VIII. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The information contained herein relating to the Company has been supplied by the Directors, who collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading insofar as it relates to the Company.

Yours faithfully,
For and on behalf of
Karl Thomson Holdings Limited
Lam Kwok Hing
Chairman

This Appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide all the information in relation to the Repurchase Mandate for your consideration.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 460,000,000 Shares.

Subject to the passing of the ordinary resolution numbered 4(B) as set out in the notice of the Annual General Meeting on pages 98 to 104 of the Annual Report and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 46,000,000 Shares during the period in which the Repurchase Mandate remains in force.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to seek the Repurchase Mandate which enables the Directors to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders. The Directors have no present intention to repurchase any Shares.

3. DIRECTORS' DEALING AND CONNECTED PERSONS

None of the Directors, to the best of their knowledge having made all reasonable enquiries, or any of their associates (as defined in the Listing Rules) have any present intention, if the Repurchase Mandate is approved by the Shareholders at the Annual General Meeting, to sell all of their Shares to the Company or its subsidiaries.

No connected persons or their respective associates (as defined in the Listing Rules) have notified the Company that they have a present intention to sell their Shares to the Company, or have undertaken not to do so in the event that the Company is authorised to make repurchase of the Shares.

4. FUNDING OF REPURCHASES

Repurchases must be funded entirely from the Company's available cash flow or working capital facilities, which will be funded by resources legally available for that purpose in accordance with the Company's Bye-laws and the laws of Bermuda. The Company is empowered by its memorandum of association and Bye-laws to purchase its Shares. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the funds of the Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium account of the Company.

If the Repurchase Mandate is exercised in full, there might be a material adverse effect on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the Annual Report). However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the 12 months prior to the printing of this circular were as follows:

	PER SHARE	
	Highest HK\$	Lowest HK\$
2005		
April	0.700	0.500
May	0.580	0.425
June	0.550	0.425
July	0.520	0.450
August	0.560	0.370
September	0.870	0.510
October	0.730	0.500
November	0.680	0.560
December	0.730	0.560
2006		
January	1.020	0.670
February	2.075	1.430
March	1.930	1.450
April (up to the Latest Practicable Date)	2.225	1.600

6. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the applicable Listing Rules and the laws of Bermuda.

7. HONG KONG CODE ON TAKEOVERS AND MERGERS

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Mr. Lam Kwok Hing and Mr. Nam Kwok Lun through J&A Investment Limited (“J&A”) were deemed to be interested in an aggregate of 311,718,000 Shares, representing approximately 67.76% of the issued share capital of the Company. J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, the shareholding of J&A in the Company will increase to approximately 75.29% of the total issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

The Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any purchases by the Company of its Shares.

8. SHARE REPURCHASES MADE BY THE COMPANY

During the six months preceding the date of this circular, no Shares have been repurchased by the Company.