

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Results

During the year ended 31 December 2006, the total turnover for the Group was approximately HK\$51,082,000 (2005: HK\$35,169,000). Net profit attributable to shareholders was approximately HK\$11,315,000 (2005: HK\$13,845,000). The core financial business and contribution from ATNT showed progress. Total profit registered satisfactory growth after discounting a write back of bad and doubtful debts in 2005.

Market Overview

On the back of resilient global economy and strong China factors, the Hong Kong stock market rode on a bullish rally to hit numerous records in line with the mighty overseas equity markets performance. Investment funds kept flowing into the equity market pushing the indices and turnover to historic record levels and investors' interest rotated in tandem with their response to the issues of growth, inflation and China economy. In the first half, investors were enthusiastic in chasing energy and resources stocks as they were very optimistic on the economy growth. The subsequent worry of inflation and stagflation excused a sharp correction on both commodities and stock market. As the inflation and interest rate worry were soon released by the favourable Bernanke comments in hinting a soft landing and a possible pause of interest hike for US economy, the investors' interest was rekindled by the listing of more sizable China enterprises in Hong Kong stock market. Following the completion of stock reforms in A share market, A share market bottomed out in the middle of the year and took off strongly on increasing turnover. Shanghai A index rose from the bottom of 1221.8 in April to close at 2815.13 up by 130% from last year end with daily turnover exceeding Renminbi 100 billion. This attracted investors to pick up the China finance and insurance stocks aggressively as these stocks will be the greatest beneficiaries of the turnaround performance of A share market after the share reform and the forthcoming fast growth of China finance market. The three major China insurance companies and five major China banks drew greatest attention and dominated the trading in shares and related warrants in the last quarter of 2006. China Life Insurance Co. Ltd. alone went up by almost 3 times in 2006 to HK\$27 per share. The rally and development of A share markets had great impact in affecting

業績

截至二零零六年十二月三十一日止年度，本集團的總營業額約為51,082,000港元（二零零五年：35,169,000港元）。股東應佔純利約為11,315,000港元（二零零五年：13,845,000港元）。核心金融業務及亞洲聯網帶來的貢獻取得進展。若扣除本集團在二零零五年之一次呆壞賬回撥，整體溢利錄得理想增長。

市場概覽

在全球經濟增長及強勁中國因素背後，香港股市跟隨海外股本市場之強勁表現呈現牛市上升，創下多項紀錄。投資資金繼續流向股票市場，將指數及成交推向歷史記錄水平，投資者意慾對於增長、通脹及中國經濟等問題的反應敏感，投資取態亦頗為波動。在上半年，投資者熱衷於追捧能源及資源股，因為他們對於經濟增長非常樂觀，隨後對於通脹及滯脹的憂慮，成為商品及股票市場深度調整的理由。由於對通脹及利率的憂慮迅速被柏南克有關暗示軟著陸的利好評論，以及美國經濟可能暫停加息所消滅，較為大型的中國企業在香港股票市場上市又再度勾起投資者的興趣。A股市場自股票改革完成後，在本年度中期之低點大幅回升，成交額不斷上升。上海A指數從四月的低位1221.8點，上升接近2815.13點，較去年底上升130%，每日成交額超過人民幣1,000億元。A股市場在股票改革後表現強勁，加上中國金融市場即將快速增長，中國金融股及保險股將會從中大幅受惠，吸引投資者積極入市吸納。在二零零六年最後一季，中國三間主要保險公司及五間主要銀行備受矚目，主導了大部份股份及相關認股權證的買賣。單以中國人壽保險股份有限公司股價在二零零六年已上升差不多三倍至每股27港元。A股市場上升及發展對於投資者興趣及選擇造成重大影響。投資者積極投資於有可能與A股市場扯上關係之中國公司股份，包括決定在A股市場申請上市的公司，可能會有注資的公司、可能會兼併或私有化的公司及將會受惠於中國政府政策的公司。中國政府發表有

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

the investors' interest and choice. Investors actively chased on the those Chinese counters with possible corporate move in association with the A market, including those which decided to apply listing in A share markets, those which would be injected assets from parent companies, those which might be merged or privatised and those which would be benefited by the China government policy. The announcement of Chinese Government in centralising the corporate tax effected a substantial cut in tax for most H companies and added fuels to revalue their earning prospect. HSI index ended strongly by 34% to 19,965 and HS China Enterprises Index almost doubled to 10,340 for 2006. Total turnover also surged by 135% with daily turnover staying above HK\$40 billion in the last quarter of 2006. The release of inflation worry brought consolidation to most energy and resources stock and triggered bargain hunting on those cyclical stocks benefited from the weakening oil and commodities prices. The airlines, shipping and motors registered significant rebound.

A strong China economy, coupled with a positive global economy, shall continue to provide fundamental support for the stock market. With the backdrop of the robust A Share markets and the vigorous financial reform in China, Hong Kong stock market is expected to remain buoyant. Recently The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has halted the price spread narrowing to the stock of unit price below HK\$2.00 and such decision has stimulated retail participation in trading the smaller counters. In fact, coming to 2007, the smaller counters exploded with a round of price rocketing on frenzy speculative activities. While much of the speculation is of conceptual, the fashion may fade away quickly. In view of strong China economic performance, the Chinese enterprises remain as a focus for the investor attention and are increasing their significance in the market. Hang Seng Bank had just included the China Life Insurance Company Limited and the Industrial and Commercial Bank of China Limited into the Hang Seng Index constituent stocks and even abolished the quotas of including more Chinese national enterprises into constituent stocks list in future. This will further reinforce investor interests in the relevant counters. After strong rally in 2006, Hong

關統一徵收企業稅的公佈，實際大幅削減大部份H股公司的稅項，為相關盈利前景評價注入強心針。恒生指數全年收市升34%，報19,965點，恒生指數中國企業指數差不多升一倍至10,340點，總成交額激增135%，於二零零六年最後一季每日成交額達400億港元以上。通脹憂慮解除令大部份能源及資源股進行整固，並引發追捧受惠於石油及商品價格疲弱的週期性股票。航空、船運及汽車股錄得重大反彈。

強勁的中國經濟，配合積極向好的全球經濟將繼續為股市提供基本支持。受惠於蓬勃的A股市場，加上強而有力的中國金融改革，香港股市預期仍然活躍。近期香港聯合交易所有限公司（「聯交所」）宣布對每單位價低於2.00港元之股票停止進行縮窄價差措施，刺激散戶參與買賣小型股。事實上，踏入二零零七年，小型股在瘋狂的炒賣活動中股價上升。但大部份投機炒賣涉及概念，潮流可能會迅速退縮。由於中國經濟表現強勁，中國企業仍然為投資的注意目標，在市場上的重要性亦與日俱增。恒生銀行已將中國人壽保險股份有限公司及中國工商銀行股份有限公司納入恒生指數成分股，甚至取消H股在恒生指數成分股的限額，意味未來可能有更多H股納入恒生成分股，將更鼓勵投資者對此等股票之興趣。香港股市在二零零六年狂升後，可能需要合理的整固，預期將會有更多組合變動。由於市場充滿許多地緣政治風險的不明朗因素、包括伊朗核子計劃、加息後日圓的利差交易、美國經濟通脹及利率變動、美國

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Kong stock market may need reasonable range consolidation and more rotation switching will be expected. Volatility will be sharpened as the market is filled with a lot of uncertainties in geo-political risks and economic issues arising from Iran Nuclear case, the carry trade of Yen after interest hike, the inflation and interest rate movement of US economy, the development of fragile US property market, the overheating China economy and its austerity measures. The carry trade of Yen in March 2007, triggering a steep worldwide correction in the equity markets, served as a typical example and excuse.

Securities, Futures and options brokerage Business

During the year under review, turnover for the Group's securities broking business and futures broking business as well as the underwriting commission, which accounted for 46.4% of total operating revenue, was HK\$23,713,000 (2005: HK\$14,910,000). Profit for the division was HK\$3,044,000 (2005: HK\$914,000). The division managed to achieve growth in both turnover and profit mainly attributing to the robust Initial Public Offering (IPO) activities of newly listing issues and the buoyant stock market.

Securities Margin Financing

During the period under review, interest income generated from securities margin loan portfolio accounted for 4.8% of the Group's turnover was HK\$2,463,000 (2005: HK\$2,246,000). Profit for this division reached HK\$1,906,000 (2005: HK\$3,685,000). Discounting the write back of the bad and doubtful debt in 2005, operating income maintained stable as the demand brought by the increase of the trading activities of the clients was deterred by the growing volatility and high interest rate. We have also seen increasing day trade activities which reduced the demand for overnight margin financing. The Group maintained consistently prudent and flexible margin financing policy to minimise its risk exposure in the volatile market environment in order to achieve high profitability for our shareholders.

疲弱的物業市場發展、中國經濟過熱及其緊縮措施等產生的經濟問題，波動將會更為激烈。於二零零七年三月日圓利差交易引發股票市場之全球性大起大落的調整，實屬典型例子及藉口。

證券、期貨及期權經紀業務

於回顧年度內，本集團的證券經紀業務及期貨經紀業務的營業額與包銷佣金為23,713,000港元（二零零五年：14,910,000港元），佔總營業收益46.4%。本業務分部利潤為3,044,000港元（二零零五年：914,000港元）。分部營業額及利潤均錄得增長，主要原因為新上市首次公開招股活動增加及股市暢旺所致。

證券保證金融資

於回顧年度內，來自證券保證金貸款組合的利息收入為2,463,000港元（二零零五年：2,246,000港元），佔本集團的營業額4.8%。本業務部分部利潤達1,906,000港元（二零零五年：3,685,000港元）。扣除二零零五年呆壞賬撥回，經營收入保持穩定。由於客戶的買賣活動增加所帶來的需求，但同時間投資情緒受持續的股市波動及高息所影響相互抵消，加上即日買賣活動增加，亦減少對融資的需求。本集團一貫維持審慎及靈活的保證金融資政策，以盡量減低在波動市場環境中的風險水平，從而為股東爭取較高的盈利回報。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Financial Management and Advisory Services

Revenue generated from financial management and advisory services was HK\$23,737,000 (2005: HK\$16,258,000). As the global stock markets performed exceptionally well last year, advisory business increased substantially attributing to our dedicated sales force and marketing campaign. In the coming years, we will try to further diversify our business spectrum and business regions in order to maintain substantial growth.

Investment Banking

The Group operates its investment banking division under the subsidiary Karl Thomson Financial Advisory Limited (“KTFA”). Operating revenue generated by the investment banking business remained at HK\$1,010,000 (2005: HK\$1,640,000). The decrease in revenue can be attributed to the drop in professional fees for investment banking services.

During the period under review, the division secured a number of financial advisory mandates to provide corporate finance advisory services to unlisted companies whereby the team will provide a full range of financial advisory services, including accounting, internal control, tax planning and fund raising. In addition, the division has also acted as financial adviser or independent financial adviser to several discloseable transactions executed by several listed Hong Kong companies.

With the strong growth of the Hong Kong's economy as well as the positive prospects emerging from the PRC, the division looks to take advantage of these opportunities by continuing to position itself as a premier boutique investment bank and offer tailor-made and cost effective services to our corporate clients.

Material Acquisitions and Disposals of Associate Companies

On 7 April 2006, the Group has acquired 15% beneficial interest in the WEEM oil field in Egypt (the “Oil Field”) through its 50% interest of Oriental Victor Limited (“Oriental Victor”). In the subsequent shareholding changes on 3 August 2006, the Group acquired the remaining 50% equity interest of Oriental Victor and Oriental Victor became a wholly-owned subsidiary of the Company

財務管理及諮詢服務

於本年度，來自財務管理及諮詢服務的收益為23,737,000港元（二零零五年：16,258,000港元）。由於全球股市去年表現成績驕人，諮詢業務大幅增加，此實有賴於我們專心志致的銷售隊伍及市場推廣活動所致。在未來數年，我們將進一步將業務範疇及業務區域多元化，務求維持大幅增長。

投資銀行

本集團透過附屬公司高信融資服務有限公司（「高信融資」）的管轄下經營投資銀行分部。來自投資銀行業務之營業收益維持於1,010,000港元（二零零五年：1,640,000港元）。收益減少可歸因於投資銀行服務之專業費用減少。

於回顧期間內，分部取得多項財務諮詢授權，為非上市公司提供企業融資諮詢服務，據此，本隊伍提供全面財務諮詢服務，包括會計、內部監控、稅務規劃及籌集資金。此外，本業務部門亦擔任數間上市香港公司進行須予披露交易的財務顧問或獨立財務顧問。

隨著香港經濟增長強勁，加上中國呈現積極美好前景，本業務部門把握此大好良機，繼續將本身定位為主要投資銀行，為企業客戶提供度身訂造及合符成本效益的服務。

有關聯營公司的收購及出售

於二零零六年四月七日，本集團通過投資於華興泰有限公司（「華興泰」）50%權益，獲得埃及WEEM區油田（「油田」）15%的權益。隨後於二零零六年八月三日，本集團取得華興泰餘下50%股權，而華興泰成為本公司的全資附屬公司，因此本集團於油田取得額外5%實際權益，

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

and effectively the Group has an additional 5% beneficial interest in the Oil Field. The effective interest in the exploration and production rights in relation to the Oil Field has increased from 15% to 20%. According to the agreement, the Group will contribute capital commitment of US\$7,000,000 (approximately HK\$54,600,000) by way of shareholder's loan in stages.

On 8 November 2006, the Group made a conditional general offer bid ("General Offer") to purchase all shares of Volant, a company listed on the Australian Stock Exchange. Under the offer, each Volant share will be offered (a) 35% by way of US0.071 in cash or alternatively (at the election of Sky Energy Investment Limited ("SEI"), a wholly owned subsidiary of the Company) 0.2121 shares at HK\$2.6 and (b) 65% by way of 1 redeemable convertible preference share in the Group.

In complying with the terms of the General Offer, on 10 November 2006, SEI has granted written consent to Volant to enter into 2 Participating Agreements to acquire 100% mining interest in respect of 2 oil and gas prospects in the U.S.A. on 15 November 2006. Furthermore, Volant has beneficial interests in both Block 2 WEEM and in Block 3 WKO in the exploration and production rights of oil.

Volant is a company duly incorporated under the laws of Queensland and its shares are listed on the Australian Stock Exchange. The principal business of Volant is the acquisition of oil and gas exploration and production tenements, and the provision of capital and management to those companies involvement in the related business. Volant is in the process of accumulating a portfolio of oil and gas exploration and production assets within the American and African continents.

The Group viewed this offer as the golden opportunity in acquiring experienced management and professionals team of Volant in the oil business, in extending its penetration through the strong and well established network in a wide spectrum of countries and in bringing synergy effects by combining the technical knowledge of Volant in the oil business and our expertise in capital market.

有關油田的開採及生產權的實際權益已由15%增加至20%。根據協議，本集團將分階段以股東貸款形式提供資本承擔7,000,000美元(約54,600,000港元)。

於二零零六年十一月八日，本集團提出有條件全面收購建議(「全面收購建議」)，收購Volant的全部股份，Volant為於澳洲證券交易所上市的公司。根據收購建議，每股Volant股份將以下列方式收購：(a) 35%將按現金0.071美元或另行(按照本公司的全資附屬公司天能投資有限公司(「天能投資」)的選擇)以面值為2.6港元的0.2121股股份的方式收購；及(b) 65%將本集團1股可贖回可換股優先股的方式收購。

在遵照全面收購建議的條款，於二零零六年十一月十日，天能投資向Volant發出書面同意，同意其訂立兩份參與協議，以收購美國兩個油氣勘探區的100%開採權益，兩份參與協議已於二零零六年十一月十五日簽署。此外，Volant於WEEM 2號塊區油田擁有實益權益，及於WKO 3號塊區油田擁有開採及生產權。

Volant為根據昆士蘭法律正式註冊成立的公司，其股份在澳洲證券交易所上市。Volant的主要業務為收購石油與氣體的開採及生產設施、為該等涉及相關業務的公司提供資本及管理。Volant現正於美國及非洲地區累積石油與氣體開採組合及生產資產。

本集團認為此收購建議有助吸納Volant在石油業務富有經驗的管理層及專業隊伍、透過其在多個國家的強勁及完善網絡擴展其滲透率、以及藉合併Volant的石油業務技術知識及我們在資本市場的專業知識帶來協同效益等各方面，實為一黃金機會。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

The acquisition is now proceeding step by step according to plan, the Group has already received over 90% acceptance from Volant's shareholders in February 2007. It is expected that the circular will be released by 5 June 2007 and the EGM will be held with in June.

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

Liquidity, Financial Resources and Funding

The Group generally finances its operation with internally generated cash flows. The Group has no bank borrowings apart from occasional utilisation of overdraft facilities. As at 31 December 2006, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK\$16,116,000 (2005: HK\$29,150,000).

Human Resources

As at 31 December 2006, the Group employed a total of 125 (2005:126) staff of which, 76 (2005: 81) were commissioned based and the total related staff cost amounted to HK\$11,684,000 (2005: HK\$10,642,000). The Group maintained minimum overhead expenses to support the basic operation and dynamic expansion of its business. The future staff costs will be more directly linked to the performance of business turnover and profit, enabling the Group to respond flexibly with the changes of business environment.

Final Dividend

The Board does not recommend the payment of any final dividend for year ended 31 December 2006 (2005: Nil).

現時整個收購正按計劃一步一步進行，本集團於二零零七年二月已取得Volant超過90%的同意書，集團預計於二零零七年六月五日前可發出通函，並於六月份內召開特別股東大會。

除此之外，於年內概無任何重大收購及出售公司。

流動資金、財務資源及資金

本集團一般以內部產生的現金流量為其業務提供資金。除偶然動用透支額外，本集團並無銀行借貸。於二零零六年十二月三十一日，本集團的現金及現金等價物(不包括一般賬戶的已抵押固定存款)為16,116,000港元(二零零五年：29,150,000港元)。

人力資源

於二零零六年十二月三十一日，本集團僱用125名員工(二零零五年：126名)，其中76名(二零零五年：81名)為佣金制，相關員工成本總額為11,684,000港元(二零零五年：10,642,000港元)。本集團維持最低的間接開支，以支持其業務的基本營運及不斷擴充。未來員工成本將更直接與營業額及利潤掛鈎，讓本集團可因應商業環境轉變而靈活作出回應。

末期股息

董事會不建議支付截至二零零六年十二月三十一日止年度之任何末期股息(二零零五年：無)。