KARL THOMSON HOLDINGS LIMITED
高信集團控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 7)

ANNOUNCEMENT OF 2010 FINAL RESULTS

RESULTS

The Board of Directors of Karl Thomson Holdings Limited (the "Company") announced that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
Revenue	6	**41,824**	36,771
Net exchange gain		**2,309**	3,933
Other income		**3,347**	3,503
(Allowance for) write back of allowance for bad and doubtful debts		**(5,617)**	133
Amortisation of trading rights		—	(5)
Depreciation		**(357)**	(268)
Finance costs	8	**(1,370)**	(399)
Expenses relating to repurchase of minibonds		—	(1,549)
Other expenses		**(31,218)**	(30,538)
Staff costs, including Directors' remuneration		**(12,360)**	(13,032)
Impairment loss on exploration and evaluation assets		**(96,644)**	—
Impairment loss on interest in an associate		—	(23,000)
Share of profit (loss) of an associate		**14,735**	(26,671)
Loss before taxation		**(85,351)**	(51,122)
Taxation	9	—	—
Loss for the year	10	**(85,351)**	(51,122)
Other comprehensive income			
Exchange differences arising on translation		**25,960**	59,923
Share of other comprehensive income of an associate		**4,659**	486
Other comprehensive income for the year		**30,619**	60,409
Total comprehensive (expense) income for the year		**(54,732)**	9,287

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - continued

For the year ended 31 December 2010

	NOTE	**2010** **HK$'000**	2009 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(56,170)**	(49,840)
Non-controlling interests		**(29,181)**	(1,282)
		(85,351)	(51,122)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(34,048)**	(9,230)
Non-controlling interests		**(20,684)**	18,517
		(54,732)	9,287
Loss per share – Basic	11	**HK(8.82) cents**	HK(8.31) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**985**	1,217
Trading rights		**—**	—
Exploration and evaluation assets		**320,005**	382,482
Interest in an associate		**121,356**	101,962
Statutory deposits		**4,423**	4,103
Loans receivable		**765**	868
		447,534	490,632
CURRENT ASSETS			
Accounts receivable	12	**76,996**	71,693
Loans receivable		**533**	992
Other receivables, prepayments and deposits		**8,204**	6,823
Tax recoverable		**—**	82
Pledged fixed deposits (general accounts)		**7,513**	7,504
Bank balances (trust and segregated accounts)		**95,330**	93,517
Bank balances (general accounts) and cash		**19,306**	20,600
		207,882	201,211
Assets classified as held for sale		**15,500**	—
		223,382	201,211
CURRENT LIABILITIES			
Accounts payable	13	**111,240**	102,907
Other payables and accrued expenses		**11,892**	12,054
Other loans		**2,280**	11,201
Bank overdrafts		**7,221**	—
Amount due to a joint venturer		**2,943**	4,649
Amounts due to Directors		**36,716**	7,676
		172,292	138,487
NET CURRENT ASSETS		**51,090**	62,724
NET ASSETS		**498,624**	553,356
CAPITAL AND RESERVES			
Share capital		**63,684**	63,684
Reserves		**378,712**	412,760
Equity attributable to owners of the Company		**442,396**	476,444
Non-controlling interests		**56,228**	76,912
Total equity		**498,624**	553,356

NOTES:

1. GENERAL

The Company is an exempted company incorporated under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is J&A Investment Limited, which is incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of the Group are the provision of financial services and oil and gas exploration and production. The financial services include stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products advising, securities margin financing and provision of corporate finance advisory services. The oil and gas exploration and production are developed through a wholly owned subsidiary, Karl Thomson Energy Limited.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and most of its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") - continued

The Directors of the Company anticipate that the application of the new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made the following estimate that has a significant effect on the amounts recognised in the consolidated financial statements. The key source of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment annually. The Group's determination of whether oil concession rights are impaired requires an estimation of the recoverable amount of the assets. The Group relied on experts to assess the geological prospects for the discovery of oil and gas in the oil field and estimated the value of oil and gas produced in the future at a suitable discount rate in order to calculate the present value. For drilling cost and other exploration and evaluation assets, the Group determined whether the related well costs are expensed if it is determined that such economic viability is not attained within the specific area after performing further feasibility studies that is usually completed within one year of completion of drilling. There was no impairment recognised for the year ended 31 December 2009. During the year ended 31 December 2010, an impairment loss of approximately HK$96,644,000 was recognised on exploration and evaluation assets. The Group's carrying value of exploration and evaluation assets as at 31 December 2010 was approximately HK$320,005,000 (2009: HK$382,482,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves.

The Directors of the Company review the capital structure on a continuous basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of existing debts. The Group's overall strategy remains unchanged from prior year.

6. REVENUE

	2010	2009
	HK$'000	*HK$'000*
Commission and brokerage income	**28,824**	31,581
Interest income from:		
Clients	**5,954**	3,610
Authorised institutions	**31**	86
Others	**—**	34
Advisory fee income	**7,015**	1,460
	41,824	36,771

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services delivered or provided.

The Group is currently organised into four reportable segments - (a) broking for securities, futures and options, (b) advisory for financial management, (c) securities margin financing and (d) oil and gas. The unreported operating segments including money lending and other business are aggregated and presented as “others”. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocated resources to segments and to access their performance.

Broking for securities, futures and options	—	provision of stockbroking, futures and options broking
Advisory for financial management	—	provision of mutual funds, insurance-linked investment plans and products advising
Securities margin financing	—	provision of securities margin financing
Oil and gas	—	exploration and production of oil and gas

Segment revenues and results

The following is an analysis of the Group's revenue and results by segment:

For the year ended 31 December 2010

	Reportable Segments						
	Broking for securities, futures and options *HK$'000*	Advisory for financial management *HK$'000*	Securities margin financing *HK$'000*	Oil and gas *HK$'000*	Total *HK$'000*	Unreportable segment -others *HK$'000*	Consolidated *HK$'000*
REVENUE							
Segment revenue	26,506	12,256	2,980	—	41,742	82	41,824
RESULTS							
Segment (loss) profit	(876)	656	(2,452)	(96,355)	(99,027)	(53)	(99,080)
Corporate administration costs							(1,006)
Share of profit of an associate							14,735
Loss before taxation							(85,351)

7. SEGMENT INFORMATION - continued

For the year ended 31 December 2009

	Reportable Segments						
	Broking for securities, futures and options *HK$'000*	Advisory for financial management *HK$'000*	Securities margin financing *HK$'000*	Oil and gas *HK$'000*	Total *HK$'000*	Unreportable segment - others *HK$'000*	Consolidated *HK$'000*
REVENUE							
Segment revenue	29,078	5,672	1,941	—	36,691	80	36,771
RESULTS							
Segment (loss) profit	(178)	(2,377)	1,313	1,783	541	(84)	457
Corporate administration costs							(1,908)
Share of loss of an associate							(26,671)
Impairment loss on interest in an associate							(23,000)
Loss before taxation							(51,122)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the financial results by each segment without allocation of corporate administration costs, share of profit/loss of an associate and impairment loss of an associate. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

At 31 December 2010

	Reportable Segments						
	Broking for securities, futures and options *HK$'000*	Advisory for financial management *HK$'000*	Securities margin financing *HK$'000*	Oil and gas *HK$'000*	Total *HK$'000*	Unreportable segment - others *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	**167,691**	**7,560**	**26,720**	**343,855**	**545,826**	**1,303**	**547,129**
Interest in an associate							**121,356**
Unallocated assets							**2,431**
Consolidated total assets							**670,916**
LIABILITIES							
Segment liabilities	**116,782**	**3,934**	**4,391**	**7,954**	**133,061**	**36**	**133,097**
Other loans							**2,280**
Amounts due to Directors							**36,716**
Unallocated liabilities							**199**
Consolidated total liabilities							**172,292**

7. SEGMENT INFORMATION - continued

At 31 December 2009

	Reportable Segments						
	Broking for securities, futures and options *HK$'000*	Advisory for financial management *HK$'000*	Securities margin financing *HK$'000*	Oil and gas *HK$'000*	Total *HK$'000*	Unreportable segment - others *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	143,693	4,157	43,769	393,597	585,216	1,860	587,076
Interest in an associate							101,962
Unallocated assets							2,805
Consolidated total assets							691,843
LIABILITIES							
Segment liabilities	102,631	1,492	3,897	13,386	121,406	36	121,442
Other loans							10,800
Amounts due to Directors							6,076
Unallocated liabilities							169
Consolidated total liabilities							138,487

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than interest in an associate, bank balances and cash for Group administrative purpose and other assets including other receivables, prepayments and deposits of head office.

- All liabilities are allocated to operating segments, other than other loans, amounts due to Directors and other liabilities including other payables and accrued expenses in relation to corporate administration costs.

7. **SEGMENT INFORMATION - continued**

Other segment information

For the year ended 31 December 2010

	Reportable Segments						
	Broking for securities, futures and options *HK$'000*	Advisory for financial management *HK$'000*	Securities margin financing *HK$'000*	Oil and gas *HK$'000*	Total *HK$'000*	Unreportable segment - others *HK$'000*	Consolidated *HK$'000*

Amounts included in the measure of segment (loss) profit or segment assets:

Additions to fixed assets	124	1	—	—	125	—	125
Additions to exploration and evaluation assets	—	—	—	21,314	21,314	—	21,314
Impairment loss on exploration and evaluation assets	—	—	—	96,644	96,644	—	96,644
Depreciation	350	2	—	—	352	5	357
Allowance for bad and doubtful debts	779	153	4,685	—	5,617	—	5,617
Finance costs	83	—	32	22	137	1,233	1,370
Interest income	—	(1)	—	—	(1)	—	(1)

Amounts regularly provided to the Board of Directors but not included in the measure of segment (loss) profit or segment assets:

Interest in an associate	121,356
Share of profit of an associate	14,735

For the year ended 31 December 2009

	Reportable Segments						
	Broking for securities, futures and options *HK$'000*	Advisory for financial management *HK$'000*	Securities margin financing *HK$'000*	Oil and gas *HK$'000*	Total *HK$'000*	Unreportable segment - others *HK$'000*	Consolidated *HK$'000*

Amounts included in the measure of segment (loss) profit or segment assets:

Additions to fixed assets	737	—	—	—	737	—	737
Additions to exploration and evaluation assets	—	—	—	27,868	27,868	—	27,868
Amortisation of trading rights	5	—	—	—	5	—	5
Depreciation	247	6	—	—	253	15	268
Write back of allowance for bad and doubtful debts	(85)	—	(48)	—	(133)	—	(133)
Expenses relating to repurchase of minibonds	—	1,549	—	—	1,549	—	1,549
Finance costs	65	—	—	257	322	77	399
Interest income	—	—	—	(17)	(17)	—	(17)

Amounts regularly provided to the Board of Directors but not included in the measure of segment (loss) profit or segment assets:

Interest in an associate	101,962
Share of loss of an associate	26,671
Impairment loss on interest in an associate	23,000

7. **SEGMENT INFORMATION - continued**

Geographical information

All of the activities of the broking for securities, futures and options, advisory for financial management and securities margin financing segments are based in Hong Kong and all of the Group's revenue is derived from Hong Kong based on the place of customers located. All of the activities of oil and gas segment are based in Egypt.

The following is an analysis of the non-current assets by geographical location:

	Non-current assets	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**122,341**	103,179
Egypt	**320,005**	382,482
	442,346	485,661

Note: Non-current assets excluded statutory deposits and loans receivable.

Information about major customer

There is no single customer contributing over 10% of total revenue of the Group for the years ended 31 December 2010 and 2009.

8. **FINANCE COSTS**

	2010	2009
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank borrowings	**115**	66
Amounts due to Directors	**691**	328
Other loans	**564**	5
	1,370	399

9. **TAXATION**

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2010 and 2009 as the Group has no assessable profits for both years.

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

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation	**(85,351)**	(51,122)
Taxation charge at the Hong Kong Profits Tax rate of 16.5%	**(14,083)**	(8,435)
Tax effect of share of (profit) loss of an associate	**(2,431)**	4,400
Tax effect of income not taxable for tax purpose	**(293)**	(720)
Tax effect of estimated tax losses not recognised	**518**	893
Tax effect of expenses not deductible for tax purpose	**4,408**	3,886
Tax effect of deductible temporary differences not recognised	**12,201**	—
Tax effect of utilisation of tax loss previously not recognised	**(320)**	(24)
Taxation for the year	**—**	—

10. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**950**	1,195
Contributions to retirement benefits schemes (included in staff costs)	**448**	466
Loss from error trades	**90**	13
Share of tax expenses (tax credit) of an associate (included in share of profit (loss) of an associate)	**225**	(12)
Interest income on bank deposits (included in other income)	**(1)**	(17)

11. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(56,170)**	(49,840)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**636,844**	599,491

No diluted loss per share was presented for both years as there were no potential ordinary shares during both years.

12. ACCOUNTS RECEIVABLE

	2010	2009
	HK$'000	*HK$'000*
Accounts receivable consist of:		
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	**35,173**	26,466
Less: Allowance for doubtful debts	**(1,483)**	(705)
	33,690	25,761
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**11,759**	—
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**8,893**	7,152
Loans to securities margin clients	**27,235**	38,760
Less: Allowance for doubtful debts	**(5,198)**	(513)
	22,037	38,247
Accounts receivable arising from the business of providing corporate advisory services	**770**	533
Less: Allowance for doubtful debts	**(153)**	—
	617	533
	76,996	71,693

12. ACCOUNTS RECEIVABLE - continued

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 aged within 30 days.

Loans to securities margin clients are repayable on demand and bear interest at Hong Kong Prime Rate quoted by Wing Hang Bank plus 3% equivalent to 8.25% per annum for both years. 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$269,407,000 (2009: HK$152,234,000). The Group is permitted to sell or repledge the marketable securities if the customer default the payment as requested by the Group. The Group had provided the allowance for doubtful debts for securities margin clients with reference to the portfolio held and the subsequent settlement of each customer.

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

Accounts receivable from corporate advisory service clients

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**—**	229
91 to 180 days	**125**	175
Over 180 days	**492**	129
	617	533

Accounts receivable from cash clients

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**32,500**	24,856
91 to 180 days	**1,190**	905
	33,690	25,761

The accounts receivable with a carrying amount of approximately HK$29,757,000 (2009: HK$25,596,000) are past due but not impaired at the end of the reporting period. The average age of the amount past due but not impaired is within 30 days (2009: within 30 days). In the opinion of the Directors, no significant accounts receivable from corporate advisory service clients and cash clients are impaired at 31 December 2010 and 2009 with reference to the subsequent settlement received after the end of the reporting period.

Movement in the allowance for doubtful debts of cash clients

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**705**	795
Impairment losses recognised on receivables	**779**	5
Amounts written off as uncollectible	**(1)**	(5)
Amounts recovered during the year	**—**	(90)
Balance at end of the year	**1,483**	705

12. ACCOUNTS RECEIVABLE - continued

Movement in the allowance for doubtful debts of securities margin clients

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**513**	561
Impairment losses recognised on receivables	**4,685**	31
Amounts recovered during the year	**—**	(79)
Balance at end of the year	**5,198**	513

Movement in the allowance for doubtful debts of corporate advisory service clients

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**—**	—
Impairment losses recognised on receivables	**153**	—
Balance at end of the year	**153**	—

Included in the allowance for doubtful debts of cash clients, securities margin clients and corporate advisory service clients are individually impaired accounts receivable due from clients who have been in severe financial difficulties. The amount of allowance for doubtful debts of cash clients and securities margin clients was arrived at after considering the proceeds from disposal of respective pledged marketable securities held by the Group.

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date credit was initially granted, subsequent settlement and the fair value of pledged marketable securities up to the reporting date. In the opinion of the Directors, there is no further credit provision required in excess of existing allowance for doubtful debtors.

13. ACCOUNTS PAYABLE

	2010	2009
	HK$'000	*HK$'000*
Accounts payable arising from the business of dealing in securities:		
– Cash clients	**89,809**	77,068
– HKSCC	**—**	2,466
Accounts payable to clients arising from the business of dealing in futures contracts	**18,496**	19,477
Amounts due to securities margin clients	**2,935**	3,896
	111,240	102,907

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

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their tradings of futures contracts on HKFECC. The excess of the outstanding amounts over the required margin deposits stipulated by 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$95,330,000 (2009: HK$93,517,000) were payable to clients or 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the year ended 31 December 2010, the total revenue for the Group was approximately HK$41,824,000 (2009: HK$36,771,000). Loss attributable to owners of the Company was approximately HK$56,170,000 (2009: HK$49,840,000). The Group ended with loss despite the business rebound of the associate, Asia Tele-Net and Technology Corporation Limited ("ATNT") on the back of overseas market recovery. The financial business environment remained in hard time partly due to the fiercer competition especially in the commission charges and partly due to the decrease in retail trading in the light of very volatile fluctuation.

MARKET OVERVIEW

Hong Kong stock market extended the selling on the worries of overheating and inflation in Chinese economy for the first eight months of 2010 since November last year. Despite the solid economic recovery in the region, the market was disappointed and underperformed against the overseas markets. While major US and European Indices edged up to make post Financial Tsunami highs, most Hong Kong index stocks were only trapped in a broad trading range. The market fluctuations were more emotional and news driven. During the year, the rumours, news, issues and reports were all selectively highlighted and focused to justify the movement. Consumers stocks, Macau casino stocks and Chinese motor stocks attracted greater investment interest for the most period of the time on robust consumption activities and impressive sales. Local property counters also maintained strength on the strong sales and skyrocketed price transactions though it faced profit taking when Hong Kong government decided to impose extra stamp duties up to 15% to penalise those short term trade of residential flat within two years and to tighten the mortgage for all property sales. Chinese property counters were under pressure all the times on the endless execution of hard measures to cool down the property market by the Chinese government. Chinese stocks providing basic services and products also suffered from underweighting as the profit margins were squeezed by the soaring raw material costs at one end and by the government intention to control the prices at the other end. Chinese electric and oil refinery stocks were the typical examples. Government policy was no more a guarantee for the price performance. Most new energy stocks registered declines as the sectors encountered the problems of overinvestment and the pricey valuation. Surprisingly the high flying commodities prices failed to inspire similar rally in the resources sector. Small counters were desperately sold off as most investors decided to cut loss and exit from the segment. The widespread of cheap convertible bonds and options, the frequent capital restructuring and fund raising exercises dampened the creditability and investor confidence. The acquisitions and injections of new business without profit track record were neither transparent. It only confused investors and increased the skepticisms. Stocks fell to deep below the level of Financial Tsunami were not uncommon. Nonetheless, the Hong Kong stock market ranked the top exchange of achieving the greatest fund raising amount of the new issues of over HK$ 450 billion. In terms of market capitalization, Hong Kong advanced two positions higher to be the fifth greatest exchange of about HK$21 trillions. Hang Seng Index and H-index experienced a wide trading range of about 6,000 points and 3,500 points respectively. Hang Seng Index ended at 23,035 about 5.3% higher whilst H-index registered a paltry loss of 0.3% to 12,692 against last year. Shanghai Composite Index declined 14.3% to 2,808 and was almost the worst performer among the major global markets mostly likely due to the worries on the overheating inflation and the forthcoming tightening policy. Trading was featureless and boring for most of the trade days as the erratic fluctuation has deterred retail participation. With the increasing participation of international players, average market daily turnover stayed safely above HK$ 60 billion.

Towards 2011, the Hong Kong stock market will still likely be capped in the range trading as it is still vulnerable to the further tightening policy by the Chinese government including the interest hike, the progress of debt improvement in the problematic European countries and the trade and fiscal deficits of the US economy. Hong Kong continues to consolidate its unique position of developing off-shore RMB business and served effectively as a gateway to the China market. Benefited by the low interest rate and the strong China economy growth, Hong Kong economy manages to recover firmly across the board with strong domestic consumption and encouraging improvement of external trade. Property market maintains strength on strong demand from Chinese investors and low interest scenario despite the implementation of imposing extra stamp duties on the short term transaction of residential flats. Unfortunately, these solid fundamentals have limited impact on the short term fluctuation of the stock market. With its free flow of capital, competent judicial system and efficient bank services, Hong Kong attracted more international funds and investors to set up regional offices. The increase participation of international players particularly of those hedge funds, the introduction of more derivative products and the dark pool trading no doubt help to increase the market turnover but on the other hand it also makes the market more volatile and uncertain. The market tends to be more dictated by those international players in accordance of their position holdings and the news, rumours and research reports serve only as excuses to rationalize the movement. For the industry, we remain positive and expect the total market turnover to increase further and more international companies to seek listing here. For the retail clients, we shall see a development to take more dynamic and short term tactics to adapt to the changes of market pattern.

SECURITIES, FUTURES AND OPTIONS BROKERAGE BUSINESS

During the year, revenue for the Group's securities, futures and options broking business, as well as the underwriting commission, which accounted for 63% of total revenue, was HK$26,506,000 (2009: HK$29,078,000). The division performance was weak as the whole stock market was poor and stagnant for most of the trading days and the market moved more unpredictably volatile. Most retail investors were either caught in high level or burned. In particular, the small counters suffered disaster sell-off as investors lost confidence on lack of transparency of those asset injections and the frequent fund raising exercises of right issues or share placement.

ADVISORY FOR FINANCIAL MANAGEMENT

Revenue generated from advisory for financial management business was HK$12,256,000 (2009: HK$5,672,000). Year 2010 was a satisfactory year for the investment banking division of the Company. Hong Kong, being an open and matured financial center and as the window of the prosperous China market, has been attracting investors all over the world resulting waves of massive fund raising and mergers and acquisitions. During the year under review, we had succeeded in securing mandates of mergers and acquisitions and regular engagements on financial advisory of listed companies. In the light of the ever-growing PRC economy and market, our division will strive to provide premier services to our clients, and yet at effective costs to standout in the corporate finance arena. Looking forward, we will expand our client base and explore new opportunities in underpinned by our extensive business network in Greater China.

Financial management and advisory division turned steady as the company will focus on the simple and mature products to avoid unnecessary controversies with investors. Development policy will remain conservative not until the government indicated any significant changes in the current harsh requirements to rebalance the equilibrium between the investor interests and commercial viability.

SECURITIES MARGIN FINANCING

During the year under review, interest income generated from securities margin loan portfolio was HK$2,980,000 (2009: HK$1,941,000). In view of the volatile fluctuation, overnight position of the retail clients remained cautious and low as most of investors were scared by the emotional and news driven movement.

OIL AND GAS BUSINESS

The oil and gas exploration business is developed through our wholly owned subsidiary, Karl Thomson Energy Ltd ("KT Energy").

KT Energy together its partners have drilled the third exploratory well South Malak 1 in 2009. Extensive testings were performed in early 2010. Newly acquired data were studied and analysed by the local technical team who then reported the result to all partners who met in Cairo in November 2010.

Although the unrest in Egypt seems to subside, the Company would like to adopt a prudent approach by withholding any drilling plan until all ripple effect of this 2011 revolution is settled down.

ASSOCIATE – ELECTROPLATING EQUIPMENT BUSINESS

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

ATNT was benefited from the general recovery in almost all worldwide PCB markets. The modest recovery in the broad economic environment has improved the overall consumer sentiments. The demand for consumer electronic products mainly smart phone such as the Apple i-Phone and netbooks are escalating. This robust demand from the end consumers has prompted our customers to expand their production capacity. The increasing application of PCBs in automobile industry has driven PCB makers such as Unimicron, Unitech Printed Circuit Board and Tripod Technology to venture into the mass production of automotive PCBs.

Apart from seeing growth in PCB sector, ATNT also saw massive investment by big multinationals to expand their production facilities to plate automobile parts and solar wafers.

Pricing is still one of the key concerns of ATNT's customers. ATNT will continue to support their customers at a reasonable price so that together, they will remain competitive in the industry and grow further.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

Pan Pacific Petroleum Egypt Pty Limited ("Pan Pacific"), a wholly-owned subsidiary of the Group, and Groundstar Resources Egypt (Barbados) Inc. ("Groundstar") entered into the agreement dated 25 January 2010 between Pan Pacific and Groundstar, pursuant to which Pan Pacific agreed to exchange its 20% participating interest in Block 3 West Kom Ombo ("Block 3") for Groundstar's 20% participating interest in Block 2 pursuant to which Pan Pacific agreed to exchange its 20% participating interest in Block 3 for Groundstar's 20% participating interest in Block 2 ("Asset Exchange Agreement"), subject to approval of the relevant regulatory authorities in Egypt.

On 18 May 2010, Pan Pacific, Aegean Energy (Egypt) Limited and Energean E&P Holdings Limited (the "Aegean Group") entered into the agreement pursuant to which Pan Pacific agreed to sell to Aegean Energy (Egypt) Limited or its designated nominee its 20% participating interest in the Block 3 concession and the joint operating agreement entered into between Groundstar and Pan Pacific on 28 November 2006 in respect of the Block 3 concession (the "Purchase Agreement"). The consideration for the disposal is cash of US$ 2,000,000 (equivalent to approximately HK$15,500,000). Upon completion of the Asset Exchange Agreement and the Purchase Agreement, the Group will have no interest in the Block 3.

During the process of drafting the deeds of assignments, the wordings of such deeds were amended several times based on the request of relevant regulatory authorities in Egypt. Every change or amendment requested would require legalisation by the Australian and BVI Egyptian Embassies respectively and unfortunately such legalisation cannot be processed simultaneously. The average process time for legalisation is at least 10 to 12 weeks. Due to this unexpected hiccup, both the Asset Exchange Agreement and Purchase Agreement cannot be completed before the agreed long stop date. Supplemental agreements were entered with Groundstar and Aegean Group respectively in October 2010 to extend the Long Stop Date to 31 March 2011. The deeds were now approved by Ganope pending approval from the Ministry of Petroleum which is now put on halted as the Parliament was dissolved by the military and an election is expected within six months from February 2011. Discussions are being held with Groundstar and Aegean Group in March 2011 with anticipation to extend the long stop date further.

CORPORATE GOVERNANCE

The Company is aware of the importance that complying with the relevant statutory and regulatory requirements and maintaining good corporate governance standards are important to the effective and efficient operation of the Company. The Company has, therefore, adopted and implemented relevant measures to ensure that the relevant statutory and regulatory requirements are complied with and that a high standard of corporate governance practices is maintained.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2010, the Group had shareholders' funds of approximately HK$498,624,000 (2009: HK$553,356,000). The net current assets of the Group were HK$51,090,000 (2009: HK$62,724,000), which consisted of current assets of HK$223,382,000 (2009: HK$201,211,000) and current liabilities of HK$172,292,000 (2009: HK$138,487,000), representing a current ratio of approximately 1.30 (2009: 1.45).

The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, loans from third parties and financial institutions, and equity financing. During the period, the Group obtained short-term bank borrowings and short-term third parties loans which is mainly facilitating the margin to client for the application of Initial Public Offering and daily operations and investments. As at 31 December 2010, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$19,306,000 (2009: HK$20,600,000).

As at 31 December 2010, 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 2 (2009: 2).

CONTINGENT LIABILITIES

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. As at 31 December 2010, HK$1,456,000 (2009: Nil) of such facilities was utilised by the subsidiary to facilities daily operation.

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 31 December 2010. 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 31 December 2010, bank deposits amounting to approximately HK$7,513,000 (2009: HK$7,504,000) and listed securities held by margin clients with market value amounting to approximately HK$19,470,000 (2009: nil) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 31 December 2010, the total number of issued ordinary shares of the Company was 636,843,612 of HK$0.10 each (2009: 636,843,612 shares of HK$0.10 each).

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of 88 staff (2009: 91) of which 46 were commissioned based (2009: 39) and the total related staff cost amounted to HK$12,360,000 (2009: HK$13,032,000). 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.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2010 (2009: Nil).

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the financial year 2010, except that the Chairman and the Managing Director who are appointed for a term of 3 years respectively are not subject to rotation or taken into account in determining the number of directors to retire in each annual general meeting in accordance with the Bye-Laws of the Company. This constitutes a deviation from code provision A.4.2. of the Code. As continuation is a key factor to the successful implementation of any longterm 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.

During the financial year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors of the Company. Based on specific enquiry of the Directors of the Company, all Directors have complied with the required standard as set out in the Mode Code throughout the year ended 31 December 2010.

Throughout the accounting period covered by this announcement, the Company has complied with the minimum requirements of the Listing Rules relating to the appointment of at least 3 Independent Non-Executive Directors and one of which have appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated results for the year ended 31 December 2010 of the Group. The Audit Committee is composed of 3 Independent Non-Executive Directors of the Company.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SECURITIES

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF 2010 FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the Company's website (www.ktg.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The 2010 Annual Report of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Karl Thomson Holdings Limited
Lam Kwok Hing
Chairman

Hong Kong, 29 March 2011

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Lam Kwok Hing and Nam Kwok Lun as Executive Directors; and Messrs. Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David as Independent Non-Executive Directors.