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 2011 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 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
Revenue	6	**30,949**	41,824
Net exchange gain		**138**	2,309
Other income		**1,559**	3,347
Allowance for bad and doubtful debts		**(2,206)**	(5,617)
Depreciation		**(414)**	(357)
Finance costs	8	**(2,228)**	(1,370)
Other expenses		**(27,415)**	(31,218)
Staff costs, including Directors' remuneration		**(13,677)**	(12,360)
Impairment loss on exploration and evaluation assets	9	**(339,791)**	(96,644)
Share of (loss) profit of an associate		**(17,939)**	14,735
Loss before taxation		**(371,024)**	(85,351)
Taxation	10	**—**	—
Loss for the year	11	**(371,024)**	(85,351)
Other comprehensive income			
Exchange differences arising on translation		**6,093**	25,960
Share of other comprehensive income of an associate		**3,381**	4,659
Other comprehensive income for the year		**9,474**	30,619
Total comprehensive expense for the year		**(361,550)**	(54,732)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - continued

For the year ended 31 December 2011

	NOTE	**2011** **_HK$'000_**	2010 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(270,281)**	(56,170)
Non-controlling interests		**(100,743)**	(29,181)
		(371,024)	(85,351)
Total comprehensive expense attributable to:			
Owners of the Company		**(262,933)**	(34,048)
Non-controlling interests		**(98,617)**	(20,684)
		(361,550)	(54,732)
Loss per share – Basic	12	**HK$(0.4244)**	HK$(0.0882)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Fixed assets		**1,032**	985
Trading rights		—	—
Exploration and evaluation assets		—	320,005
Interest in an associate		**106,798**	121,356
Statutory deposits		**4,075**	4,423
Loans receivable		**771**	765
		112,676	447,534
CURRENT ASSETS			
Accounts receivable	13	**44,282**	76,996
Loans receivable		**342**	533
Other receivables, prepayments and deposits		**7,077**	8,204
Tax recoverable		**117**	—
Pledged fixed deposits (general accounts)		**7,517**	7,513
Bank balances (trust and segregated accounts)		**90,454**	95,330
Bank balances (general accounts) and cash		**16,478**	19,306
		166,267	207,882
Assets classified as held for sale		—	15,500
		166,267	223,382
CURRENT LIABILITIES			
Accounts payable	14	**94,979**	111,240
Other payables and accrued expenses		**12,466**	11,892
Other loans		—	2,280
Bank overdrafts		**6,967**	7,221
Amount due to a joint venturer		—	2,943
Amounts due to Directors		**27,457**	36,716
		141,869	172,292
NET CURRENT ASSETS		**24,398**	51,090
NET ASSETS		**137,074**	498,624
CAPITAL AND RESERVES			
Share capital		**63,684**	63,684
Reserves		**115,779**	378,712
Equity attributable to owners of the Company		**179,463**	442,396
Non-controlling interests		**(42,389)**	56,228
Total equity		**137,074**	498,624

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) - INT 14	Prepayments of a minimum funding requirement
HK (IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 7	Disclosures - Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax - Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) - INT 12 "Consolidation - Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK (SIC) - INT 13 "Jointly controlled entities - Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's interest in an associate may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operations or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

Other than as disclosed above, the Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The Group's determination of whether oil concession rights are impaired requires an estimation of the future development of the political and social environment in Egypt and the drilling plan in the oil field. The Group decides to suspend its drilling plan in Egypt after considering the political and social environment in Egypt. 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. During the year ended 31 December 2011, an impairment loss of approximately HK$339,791,000 (2010: 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 2011 was zero (2010: HK$320,005,000).

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

	2011	2010
	HK$'000	*HK$'000*
Commission and brokerage income	**22,811**	28,824
Interest income from:		
Clients	**5,630**	5,954
Authorised institutions	**37**	31
Others	**4**	—
Advisory fee income	**2,467**	7,015
	30,949	41,824

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes 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 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 and provision of corporate financial services
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 2011

	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	19,772	8,380	2,717	—	30,869	80	30,949
RESULTS							
Segment (loss) profit	(4,437)	(217)	1,499	(345,723)	(348,878)	(228)	(349,106)
Corporate administration costs							(3,979)
Share of loss of an associate							(17,939)
Loss before taxation							(371,024)

7. **SEGMENT INFORMATION - continued**

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)

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 and share of loss/profit 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 2011

	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	**128,903**	**6,726**	**27,788**	**5,645**	**169,062**	**1,136**	**170,198**
Interest in an associate							**106,798**
Unallocated assets							**1,947**
Consolidated total assets							**278,943**
LIABILITIES							
Segment liabilities	**97,588**	**1,919**	**6,995**	**7,453**	**113,955**	**—**	**113,955**
Amounts due to Directors							**27,457**
Unallocated liabilities							**457**
Consolidated total liabilities							**141,869**

7. SEGMENT INFORMATION - continued

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

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 2011

	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	467	7	—	—	474	—	474
Impairment loss on exploration and evaluation assets	—	—	—	339,791	339,791	—	339,791
Depreciation	411	1	—	—	412	2	414
Allowance for bad and doubtful debts	2,036	140	30	—	2,206	—	2,206
Finance costs	91	—	127	22	240	1,988	2,228
Interest income	(2,819)	(56)	(2,717)	—	(5,592)	(80)	(5,672)
Gain on disposal of fixed assets	(3)	—	—	—	(3)	—	(3)

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	106,798
Share of loss of an associate	17,939

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	(2,923)	(1)	(2,980)	—	(5,904)	(82)	(5,986)

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)

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	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**107,830**	122,341
Egypt	**—**	320,005
	107,830	442,346

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 2011 and 2010.

8. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank borrowings	**218**	115
Amounts due to Directors	**1,941**	691
Other loans	**69**	564
	2,228	1,370

9. IMPAIRMENT LOSS ON EXPLORATION AND EVALUATION ASSETS

For the Block 2 West Esh EI Mallaha ("Block 2"), three wells had been drilled starting from the year 2008. The third well was drilled in the year 2009. Oil samples from the third well were tested and several other testings had been performed on the third well in early 2010. The entire amount of others exploration and evaluation assets had been impaired for the year ended 31 December 2010 as the management concluded that these wells were not economically viable based on the testing data collected. The technical in Cairo has then re-mapped the geological structure of the area based on the drilling data and the testing data collected for future consideration.

Following the resignation of Hosni Mubarak in February 2011, the general situation in Egypt is far from peaceful. The pipeline in the Egyptian Sinai has been boomed by unidentified assailants several times since the ousting of Hosni Mubarak. This brought disruption in sending gas flow to nearby countries including Israel and Jordan. Diplomatically, the relationship between Egypt and Israel has been tense and plunged to their lowest point after the killing of the Egyptian policemen on the Gaza border, the breaking into the Israeli embassy by the Egyptian protesters and the departure of Israel's ambassador from Egypt in August and September 2011. Politically, protests against the Supreme Council of Armed Force erupted again in September 2011 calling for the country's military rulers to keep their promises of reform and transfer power to a civilian government. Although the new parliament has been elected and inaugurated in January 2012 and the country's military rulers have agreed to hold the presidential election in May 2012, protests are still on. Socially, Egypt has become unsafe following the kidnapping of Chinese workers and foreign tourists in Egyptian Sinai in January and February 2012. Economically, Egypt is struggling. Revenue from export and tourism has dropped sharply and the economic growth has been slashed from nearly 5.4% for 2010 to -4.2% for 2011.

9. IMPAIRMENT LOSS ON EXPLORATION AND EVALUATION ASSETS - continued

Having taken into account of the aforesaid situations in Egypt happened in the year 2011, there is no substantive expenditure on further exploration for and evaluation of natural resources being incurred. Such expenditure no longer been budgeted nor planned in Block 2 and the Group decides to suspend its drilling plan until the political and social environment in Egypt has become stable which is uncertain in the foreseeable future. Accordingly, the directors determined to impair the entire oil concession right of Block 2 of HK$325,991,000. The remaining amount of HK$13,800,000 is related to the impairment of the oil concession right of Block 3 West Kom Ombo.

Although the Group has fully impaired the oil concession rights, the Group still possesses the rights given by the Egyptian government in relation to exploration of extraction in the oil field of Block 2 which will be expired in September 2014. The Group has no intention to terminate its oil and gas business. Once the political and social environment in Egypt has become stable, the Group intends to resume its drilling plan in Egypt depending on the then financial resources of the Group and the general economic situation.

10. TAXATION

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2011 and 2010 as the relevant group entities have no assessable profits or the assessable profit is wholly absorbed by tax losses brought forward 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:

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation	**(371,024)**	(85,351)
Taxation charge at the Hong Kong Profits Tax rate of 16.5%	**(61,219)**	(14,083)
Tax effect of share of loss (profit) of an associate	**2,960**	(2,431)
Tax effect of income not taxable for tax purpose	**(6)**	(293)
Tax effect of estimated tax losses not recognised	**1,365**	518
Tax effect of expenses not deductible for tax purpose	**57,480**	4,408
Tax effect of deductible temporary differences not recognised	**—**	12,201
Tax effect of utilisation of tax loss previously not recognised	**(580)**	(320)
Taxation for the year	**—**	—

11. LOSS FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,490**	950
Contributions to retirement benefits scheme (included in staff costs)	**418**	448
Loss from error trades	**3**	90
Share of tax expense of an associate (included in share of (loss) profit of an associate)	**581**	225
Interest income on bank deposits (included in other income)	**(1)**	(1)
Gain on disposal of fixed assets	**(3)**	—

12. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(270,281)**	(56,170)

	Number of shares	
	'000	*'000*
Number of ordinary shares for the purpose of basic loss per share	**636,844**	636,844

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

13. ACCOUNTS RECEIVABLE

	2011	2010
	HK$'000	*HK$'000*
Accounts receivable consist of:		
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	**19,585**	35,173
Less: Allowance for doubtful debts	**(3,501)**	(1,483)
	16,084	33,690
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**491**	11,759
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**5,550**	8,893
Loans to securities margin clients	**27,029**	27,235
Less: Allowance for doubtful debts	**(5,228)**	(5,198)
	21,801	22,037
Accounts receivable arising from the business of advisory for financial management	**496**	770
Less: Allowance for doubtful debts	**(140)**	(153)
	356	617
	44,282	76,996

13. 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 Limited 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$75,220,000 (2010: HK$269,407,000). The average percentage of collateral over the outstanding balance as at 31 December 2011 is 345% (2010: 12,225%). The fair value of pledged marketable securities of the individual securities margin clients is higher than the corresponding outstanding loans. 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 advisory for financial management clients. The aged analysis of accounts receivable arising from these clients is as follows:

Accounts receivable from advisory for financial management clients

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**356**	—
91 to 180 days	**—**	125
Over 180 days	**—**	492
	356	617

Accounts receivable from cash clients

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**13,795**	32,500
91 to 180 days	**2,289**	1,190
	16,084	33,690

The accounts receivable with a carrying amount of approximately HK$13,091,000 (2010: HK$29,757,000) 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 (2010: within 30 days). In the opinion of the Directors, no significant accounts receivable from advisory for financial management clients and cash clients are impaired at 31 December 2011 and 2010 with reference to the subsequent settlement received after the end of the reporting period.

Movement in the allowance for doubtful debts of cash clients

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,483**	705
Impairment losses recognised on receivables	**2,092**	779
Amounts recovered during the year	**(56)**	—
Amounts written off as uncollectible	**(18)**	(1)
Balance at end of the year	**3,501**	1,483

13. ACCOUNTS RECEIVABLE - continued

Movement in the allowance for doubtful debts of securities margin clients

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,198**	513
Impairment losses recognised on receivables	**30**	4,685
Balance at end of the year	**5,228**	5,198

Movement in the allowance for doubtful debts of advisory for financial management clients

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**153**	—
Impairment losses recognised on receivables	**140**	153
Amounts written off as uncollectible	**(153)**	—
Balance at end of the year	**140**	153

Included in the allowance for doubtful debts of cash clients, securities margin clients and advisory for financial management clients are individually impaired accounts receivable due from clients who have been in severe financial difficulties. For the securities margin clients, the amount 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.

14. ACCOUNTS PAYABLE

	2011	2010
	HK$'000	*HK$'000*
Accounts payable arising from the business of dealing in securities:		
– Cash clients	**75,107**	89,809
– HKSCC	**1,503**	—
Accounts payable to clients arising from the business of dealing in futures contracts	**14,747**	18,496
Amounts due to securities margin clients	**3,622**	2,935
	94,979	111,240

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$90,454,000 (2010: HK$95,330,000) 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 2011, the total revenue for the Group was approximately HK$30,949,000 (2010: HK$41,824,000). Loss attributable to owners of the Company was approximately HK$270,281,000 (2010: HK$56,170,000) mainly attributing to the substantial impairment loss on exploration and evaluation assets. In addition, in view of the endless worry of the European Crisis, the poor financial market and economy put negative pressure on the financial business as well as the industrial associate.

MARKET OVERVIEW

2011 was a disaster year for Hong Kong stock market whereby most of investors of all kinds suffered huge loss. The market faced persistent selling throughout the years in response to tons of negative news from China and Western economies. The inflation worry and the credit tightening policy of China extended pressure on Chinese property and bank sectors. The anxiety of double dip recession and the Japan Tsunami brought additional selling on resource and export counters. The scandal reports on some overseas listed Chinese enterprises and the subsequent related negative reports cracked down the investor confidence and induced desperate sell-off on most of Chinese enterprises. In the second quarter, the Greek government faced difficulties to honor the maturing debt repayment and turned to seek the international aids primarily from Eurodollar zone countries and this soon uncovered similar serious financial problems of much larger scale in other PIIGS countries. Italy alone was known to have close to a total debt of Eurodollar 2000 billion. It was recalled that the Eurodollar was introduced with inherent contradictions among the political and economic interests of the European countries. As the rights and obligations are not evenly balanced, German typically refused to approve the issue of united European bonds to solve the crisis and instead demanded a tighter disciplinary control on the government budgets in the Euro-zone. Various European and G20 meetings ended with deadlocks and failed to compromise a satisfactory solution. The European Debt Crisis was then quickly wide spreading and escalating to a ceaseless deep global concern. In later half of the year, the party struggle in USA sharpened their rivalry in in controlling the budget whether by raising tax on rich or by cutting the welfare spending and this added great uncertainty in increasing the national debt ceiling. The disputes gave Standard & Poor's an excuse to downgrade US Bonds from AAA to AA. The action cast a bomb to the global financial market and triggered panic selling in equity, commodities and other non-USA currencies as investors soon feared domino effects of rounds and rounds of downgrades on European government and banks. As European banks hold plenty of European debts, they would suffer great write down and were challenged with insolvency doubt. Belgium Dexia Bank was the first Western Bank to ask for rescue from the government. The crisis also crossed the ocean to threaten the wellbeing of USA banks including Morgan Stanley and Goldman Sachs which were also reported to hold sizable European debts. The global equity market tumbled sharply by about 25% in general within August alone. The risk aversion and outflow of the international funds from the region were obvious. Investors opted to flee back to USA bonds regardless of the value in the region. In fact, Dow Jones Index registered gains at the end of the year against the average decline of 20% for the Greater China region. The Hong Kong stock market showed all typical features of bear cycle with index staying at low level and volume to fall to below HK$40 billion for some days near yearend. Worst of all, the derivative products trading took about 40% of the turnover reflecting the dominant short term speculative activities and absence of longer term investment interests.

Both Hong Kong economy and stock market are expected to be gloomy. Export business will definitely be hurt by the slowdown of Euro-zone economy as a result of contracting budget. Safety concern continues to override the fundamental value as the European Debt Crisis still hangs over the investors. There are no quick perfect solutions and the trouble countries would face the peak of refinancing their maturing debts in the first quarter of 2012. The securities industry also becomes no less challenging. The securities firms would burden more cost in extending trading hours after cutting lunch hours and introducing After-Hour Futures Trading session. Cut-throat commission competitions which get fiercer would erode survival ability of the firms. Fortunately, interest rate likely keeps at low level as the USA Federal Reserve decided to launch the Operation Twist to sell short term bond and buy long term bond with intended effort to keep the rate at exceptionally low range of 0 to 0.25% until the late 2014. Domestic consumption remains buoyant on the robust local consumption and vibrant tourist spending. Investors will focus on the development of the possible further monetary easing from China to buffer the negative external impact. Nonetheless, the solid fundamental value of single digit P/E and 4% should help to attract long term investors. As the worry relaxes, Hong Kong should achieve quicker rebound. In the short term, the Group will further minimise the cost to tackle the difficult environment and to widen and globalise the product range for future expansion.

SECURITIES, FUTURES AND OPTIONS BROKERAGE BUSINESS

During the period under review, revenue for the Group's securities, futures and options broking business, as well as the underwriting commission, which accounted for 64% of total revenue was HK$19,772,000 (2010: HK$26,506,000). The division performance was poor as sentiment turned bearish and retail investors tended to exit from the market.

ADVISORY FOR FINANCIAL MANAGEMENT

In 2011, the division generated revenue of HK$8,380,000 (2010: HK$12,256,000). Despite the poor market conditions, year 2011 was considered satisfactory for the investment banking division of the Group. 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, the division had succeeded in securing mandates of mergers and acquisitions and regular engagements on financial advisory of listed companies. The abovementioned performance was rooted in the Group's conservative development policy in providing financial management and advisory services. The division's mature and premium services have kept the clients' loyalty and continued attracting new business.

The division believes that balancing the investor interests and commercial viability would still require the conservative policy in the coming years. At the same time, the Group will leverage on its established client base and other extensive network in Greater China, and continue exploring new opportunities. The division will devote all effort in uplifting service quality for clients and achieve this more efficiently with cost controls.

Investment consultation services turned slower as investors preferred to stay sidelined in the light of extremely uncertainty in European Debt Crisis. The division is watching closely on the development of overseas Renminbi business in Hong Kong and will explore the introduction of more global products for the regional investors.

SECURITIES MARGIN FINANCING

During the year under review, interest income generated from securities margin loan portfolio was HK$2,717,000 (2010: HK$2,980,000). As market became news sensitive and unpredictable, investors chose to cut their overnight position. Most of the investment activities were of short term speculative nature.

OIL AND GAS BUSINESS

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

The Group has drilled three wells in Block 2 West Esh El Mallaha ("Block 2") and has found high level of gas and existence of crude oil in the southern part of the block. All the financial obligations required under the eight-year concession agreement were met but the Group is obliged to drill four more wells by September 2014. Given the continual unrest in Egypt, the Group has decided to withhold further investment in Egypt but will continue to keep close watch over the development in Egypt.

ASSOCIATE – ELECTROPLATING EQUIPMENT BUSINESS

The technology arm of the Group is developed through our associate, Asia Tele-Net and Technology Corporation Limited("ATNT").

The revenue of ATNT has increased by approximately HK$20,477,000 or 3.5% for the year ended 31 December 2011 from approximately HK$585,945,000 for the year ended 31 December 2010 to approximately HK$606,422,000. Despite increase in revenue, ATNT reported loss attributable to owners of the Company of approximately HK$37,660,000 for the Period Under Review compared to the profit attributable to owners of the Company of about HK$31,078,000 for last year. The main factors causing loss attributable to owners of the Company include, inter alia, (i) the gross profit margin for the Period under Review has depleted by 4.8% and (ii) the slow down of orders in last quarter of 2011 and (iii) net change in fair value of held-for trading investments of HK$12,154,000.

The depletion in gross profit was mainly attributable by the escalation in material prices as well as labor costs increase which were driven by the appreciation of Renminbi and general price increase in commodities. The increased costs could not be passed on to their customers as major order backlogs to customers were booked in previous period.

The core business of ATNT is selling electroplating equipment which is cyclical and vulnerable to economic uncertainties. The general concern on Euro-zone debt crisis has temporarily slow down their customers from embarking on fixed asset investment in the last quarter of 2011. The tightening of liquidity seen in China, Europe and US in the second half of 2011 has added hurdle to any investment plan our customer may have.

Given the challenging business environment in 2012, efforts is made to realign business units, develop standardised machines, reengineer the product to higher efficiency and better cost effectiveness and more importantly implement tighter costs control measures.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

On 13 April 2011, the Company announced the lapse of the sales agreement between the KTE and Aegean Energy (Egypt) Limited ("Aegean Energy") signed on 18 May 2010 (the "Sales Agreement"). Subject to certain conditions, KTE agreed to sell and Aegean Energy agreed to purchase 20% participating interest in the Block 3 West Kom Ombo ("Block 3") concession and the Block 3 joint operating agreement at a consideration of US$2,000,000. As the conditions were not met on or before 31 March 2011, the Sales Agreement was terminated by the Purchaser in early April.

On 15 August 2011, the Company's wholly-owned subsidiaries, KTE and Pan Pacific Petroleum Egypt Pty Limited ("PPP"), entered into the amended and restated asset exchange agreement (the "Agreement") with Groundstar Resources Egypt (Barbados) Inc. ("Groundstar") to amend and restate the agreement dated 25 January 2010 entered into between PPP and Groundstar, as supplemented on 8 November 2010 and 8 April 2011, respectively (the "Original Exchange Agreement"). Pursuant to the terms of the Agreement, Groundstar agreed to transfer to PPP the 20% undivided participating interest in the Block 2 Concession and the Blcok 2 Joint Operating Agreement ("Block 2 JOA") held by Groundstar as derived and held pursuant to the Block 2 Farmin, the Block 2 Concession and the Block 2 JOA (the "GRE Participating Interest") and certain casing inventory, in consideration of which, PPP agreed to transfer to Groundstar the Additional Interest and the Swap Interest (the "PPP Participating Interest") and refund to Groundstar the balance of approximately US$380,000 held by KTE on trust for Groundstar in respect of a portion of the security for the obligations of the contractor under the Block 2 Concession attributable to the GRE Participating Interest (the "Trust Money").

By entering into the Agreement, the Group is free from investing further to the exploration activities in Block 3 and the Group's interest in Block 2 will be increased from 40% to 60%.

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 2011, the Group had shareholders'funds of approximately HK$137,074,000 (2010: HK$498,624,000). The net current assets of the Group were HK$24,398,000 (2010: HK$51,090,000), which consisted of current assets of HK$166,267,000 (2010: HK$223,382,000) and current liabilities of HK$141,869,000 (2010: HK$172,292,000), representing a current ratio of approximately 1.17 (2010: 1.30).

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 2011, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$16,478,000 (2010: HK$19,306,000).

As at 31 December 2011, 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 5 (2010: 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 2011, HK$3,373,000 (2010: HK$1,456,000) 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 2011. 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 2011, bank deposits amounting to approximately HK$7,517,000 (2010: HK$7,513,000) and listed securities held by margin clients with market value amounting to approximately HK$8,645,000 (2010: HK$19,470,000) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 31 December 2011, the total number of issued ordinary shares of the Company was 636,843,612 of HK$0.10 each (2010: 636,843,612 shares of HK$0.10 each).

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of 82 staff (2010: 88) of which 40 were commission based (2010: 46) and the total related staff cost amounted to HK$13,677,000 (2010: HK$12,360,000). 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 2011 (2010: 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 2011, 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 2011.

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 2011 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 2011, 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 2011 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 2011 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 2011 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, 27 March 2012

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.