2011
INTERIM REPORT

Karl Thomson Holdings Limited
高信集團控股有限公司
(incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）
Stock Code 股票代號：7

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CORPORATE INFORMATION

Board of Directors

Executive Directors:
LAM Kwok Hing *(Chairman)*
NAM Kwok Lun
(Deputy Chairman and Managing Director)

Independent Non-executive Directors:
CHEN Wei-Ming Eric
KWAN Wang Wai Alan
NG Chi Kin David

Audit Committee

CHEN Wei-Ming Eric
KWAN Wang Wai Alan
NG Chi Kin David

Remuneration Committee

LAM Kwok Hing
NAM Kwok Lun
CHEN Wei-Ming Eric
KWAN Wang Wai Alan
NG Chi Kin David

Company Secretary

LUI Choi Yiu Angela

Authorised Representatives

LAM Kwok Hing
NAM Kwok Lun

Resident Representative and Assistant Secretary

Appleby Corporate Services (Bermuda) Limited

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

27/F, Fortis Tower
77-79 Gloucester Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Reid Management Limited
Argyle House
41A Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
26 Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Bankers

Wing Hang Bank, Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
Chiyu Banking Corporation Limited

Solicitors

Sidley Austin Brown & Wood International Law Firm

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

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Contacts

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REPORT OF THE CHAIRMAN

I would like to announce to the shareholders the unaudited consolidated results of Karl Thomson Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the six months ended 30 June 2011.

For the six months ended 30 June 2011, loss attributable to owners of the Company amounted to HK$14,474,000 (2010: HK$39,978,000), equivalent to loss per share of HK$2.27cents (2010: HK$6.28 cents).

BUSINESS REVIEW

The Group comprises three major business streams, namely the financial business, investment in associate Asia Tele-Net and Technology Corporation Limited ("ATNT") and the oil and gas business.

FINANCIAL BUSINESS

During the period under view, the Gold rode straight up as the best safety heaven to test the new record high of US$1,625 per oz on the loss of confidence on major currencies. US Dollars was widely abandoned and depreciated against most currencies on poor economic data and possible forthcoming quantitative easing policy. It at one time fell below 77 against Yen. EuroDollar was still struggling with the debt problems of five PIIGS countries and the consecutive credit downgrades by the three international credit rating agencies. Nonetheless, EuroDollar saw short covering and rebounded from 138 to 144 vs US$ after the major European countries reached agreement to execute the second stage of aid loans and to extend the debt repayment period to Greece. Commodities market experienced volatile movement after frenzy rally and returned to consolidation range. They faced more evident intervention by USA Government. For instance, the silver shot up 60% to year high at US$48 per oz in April and slid 30% rapidly to US$34 per oz in May after the Chicago Mercantile Exchange suddenly increased the margin by 75% to US$25,397 per contract triggering much forced margin selling. Similarly, in June, the U.S. government and 27 other countries agreed Thursday to release 60 million barrels of oil from strategic reserves, temporarily driving down oil prices to a four-month low to below US$100 per barrel from over US$110 in a controversial effort to press down the inflation and stimulate the world's fragile economy.

The Greater China equity markets were still under selling pressure as investors sentiment remained highly vulnerable to the development situations in China inflation, credit tightening policy, debt crisis of the 5 European PIIGS countries, US economic data and the lift of US debt ceiling. In general, investors tended to liquidate shares for different excuses. Further to the poor US economy performance, the investors shifted their concern from the credit tightening to the possible hardlanding of Chinese economy and the credit scandal of the various Chinese private enterprises. Research reports have placed greater doubts on the provincial government debt exposure size. There were panic sellings on various Chinese private enterprises associated with ground or ungrounded negative reports. Much of the selling was suspected to relate to the manipulation of the hedge fund activities. Indices fluctuated within a wide range but volume was disappointed.

INVESTMENT IN ASSOCIATE - ATNT

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

The sales of electroplating equipment was approximately HK$386.7 million which represented an increase of 76% compared to last year but the gross profit margin has dropped by 6.8% due to the rise in material and labour cost and the appreciation of Renminbi. The distribution of sales was 65% to PCB sector, 21% to surface finishing ("SF") sector and 14% to solar sector. The growth in PCB was mainly attributable to the overwhelming demand for smart phones and tablet personal computers. The growth in SF sector was mainly attributable to the general recovery of market sentiment amongst American and European customers.

One of a wholly owned subsidiary of ATNT entered an agreement with an independent third party on 7 August 2011 in relation to a re-development plan to earn an opportunity to make a possible gain before taxes ranged from RMB600 million to RMB800 million with an expected project life span of six years. Pursuant to the agreement, the subsidiary of ATNT agreed to vacate from existing premise at its own cost and the independent party has agreed to (i) seek relevant governmental approvals; (ii) pay additional land premium as required; (iii) provision of all required fund in the design and construction; (iv) pay a relocation compensation of RMB50 million (approximately HK$60 million) to ATNT and (v) transfer title of 41,000 sq.m. residential property to ATNT upon completion of the re-development. The agreement and the transactions contemplated thereunder are subject to the shareholders' approval to be obtained at an extraordinary general meeting to be convened within 70 days of the date of the Agreement. The re-development is subject to approval by relevant government authorities in PRC.

OIL AND GAS BUSINESS

The oil and gas sector of the Group is developed through our subsidiary Karl Thomson Energy Limited ("KTE").

KTE entered an amended and restated asset exchange agreement (the "Revised Asset Exchange Agreement") on 15 August 2011 with the existing partner in Block 3 West Kom Ombo ("Block 3") to swap the 40% interest in Block 3 presently held by the Group with 20% interest in Block 2 West Esh El Mallaha ("Block 2") together with certain casing inventory. By entering the Revised Asset Exchange Agreement, the Group will hold 60% interest in Block 2 instead of 40%. The Group has drilled three exploratory wells in last three years. The last well South-Malak 1 has found light crude oil but the amount found is not enough for commercial production.

The outburst of revolution early this year has brought not just the step down of Mr. Mubarak and also the non-stop unrest in Egypt and nearby countries. Months of disruption of gas supplies from Egypt to Israel have forced Israel to raise its electricity rates despite current public protests against the ever increasing living cost.

As quoted from forbes.com in May 2011, Egypt has seen its foreign reserves drop by about US$8 billion since December, the month before the protests that ousted Mubarak began, thrusting Egypt down a path of political uncertainty and economic doldrums. The drop underscores the dire challenges confronting officials who are struggling to reform the political process amid continuing labor protests and unrest that has shattered economic growth forecasts for the current fiscal year. To make the matter worse, Dana Gas – a UAE-based company – reported in August a delayed payment of US$148 million for gas sales to the Egyptian government and said if these were not met, it would impact on its future investments in the country (information quoted from Reuter news issued on 2 August 2011).

Given that the Company is not yet fully comfortable that all ripple effect of the unrest in Egypt is settled, the Company would adopt a prudent approach by withholding any drilling plan in Block 2 in near term. The Company will continue to explore other investment opportunities in exploration or production block in other areas.

OUTLOOK

For the financial business, despite the poor US and European economy, the economic performance of the Greater China Region maintained strengthen, Chinese GDP growth managed to stay above 9% per annum and exports are still positive. Hong Kong property and consumption were greatly benefited by the Chinese investors and tourist. Low interest rate likely will stand for some time underpinning the investment market. Although the investors continued to underweight the holding in Hong Kong stock market, the prices fell to a very attractive value level worth for medium and long term investment. Furthermore, after substantial credit tightening measures, the Chinese inflation seems to be under control and is viewed to be peaked in the second half and further credit tightening may not be necessary. Yet, the external environment grows to be more unfavourable. The industry is becoming more challenging and complicated. The development of dark pool trading operation pioneered by Hong Kong Bank and the growing organised trading activities of the international hedged funds all make the market more volatile and unpredictable. The market is expected to be difficult after the Standard & Poor's had downgraded the US Government Bond rating from AAA to AA+ and this adds extreme uncertainties to the global financial market and economy. It may not be surprised to see recessions in Western economies. The company is striking hard to minimise the operation cost. In the long term, the company is seeking Chinese strategic partners to exploit the growing business opportunities in the Greater China region.

For the technology arm, while ATNT will continue to focus on cost down, ATNT shall also explore the possibility of increasing the service revenue and its profit margin.

For oil and gas business, the Group shall keep an close eyes on the political and economical development in the region before we finalise any development plan.

APPRECIATION

I would like to take this opportunity to thank my fellow directors for their guidance and support and express my appreciation to the management team and diligent employees for their commitment and loyal service. I would also wish to thank my customers and shareholders for their continued support.

For and on behalf of the Board
Lam Kwok Hing
Chairman

25 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2011, the total revenue for the Group was approximately HK$17,432,000 (2010: HK$24,144,000). Loss attributable to owners of the Company was approximately HK$14,474,000 (2010: HK$39,978,000). The Group ended with loss though the business recovery of the associate, ATNT continued to make some positive contribution. The financial business environment remained unfavourable as retail clients continued to exit from the market in view of the declining trend and poor trading volume.

MARKET OVERVIEW

Persistent selling on Hong Kong equities extended to the first half of 2011. The austerity measures of Chinese government restricted Chinese investors from investing in the stock market and many of the enterprises were instead forced to raise funds in Hong Kong. Investors' anxieties on old factors of credit tightening in China, debt crisis of 5 European PIIGS countries and the stagflation problem of US economy now extend further onto the possible hardlanding of Chinese economy and the credit scandals of the various Chinese private enterprises. Investors turned bearish on the stock performance and started to find all kind of excuses to liquidate shares. The credit tightening has put pressure on interest sensitive stocks including Chinese property counters and banks. Research reports highlighted suspicious alert on the actual greater size exposure of debt owed by the provincial governments raising higher risks for the Chinese banks. The stocks with new energy and materials were sold on worries of over investment and over supply. The rail stocks were hard hit after a rail accident in China in July which queried the safety of the Chinese technology and this might slow down the investment and development speed. A fresh round of panic selling on Chinese enterprises started after Carson Block of Muddy Waters Research questioned the inappropriate accounting practice of Sino-Forest Corporation listed in Toronto. The stock fell over 80% within days and its subsidiary Greenheart Group Limited listed in Hong Kong also suffered similar slide. Subsequently, other debt rating agencies joined with alert reports on the Chinese private enterprises. Moody introduced red flags alerts on 61 Chinese enterprises whilst Fletch pointed out the refinancing difficulties on 35 enterprises. Investors rushed to dump various Chinese private enterprises associated with grounded or ungrounded negative reports in US and Hong Kong. Much of the selling was suspected to be related to the manipulation activities of the hedge funds which were suspected to have built big short selling position ahead of the negative reports. Macau casino and the luxury retail counters were the only strong performers among a few mostly likely due to the strong consumption power of Chinese tourists. Indices fluctuated within a wide range but volume was disappointed. Hang Seng Index, H-Index and Shanghai Index all dropped 637, 115 and 46 respectively to 22398, 12577 and 2762. The average daily turnover could only be around HK$60 billion despite the extended trading hours and the listing more corporations.

Hong Kong economy continued to benefit from the strong Chinese economy. Low interest rate will likely stay for months ahead and should support the equity market. Chinese inflation looks to be peaked in the second half and further tightening may not be needed. After heavy selling, the prices fell to a very attractive value level for medium and long term investment. HS Index now represents below 10x p/e and over 3% yield. Many big Chinese giants fell to single digit p/e with over 4% yield. As soon as long term investors enter the market, investors' confidence can recover gradually. Yet, the fundamental values are temporarily ignored and overshadowed by the financial turmoil in overseas. The downgrade of US Government Bond by the Standard & Poor's triggered a disaster selling in global equities markets with scale comparable as mini-tsunamis. All major stock market rapidly fell over 20% just alone in early August. On top of competition from banks, the industrial environment faces new challenges from the development of dark pool and high frequency trades. The growing organised trading activities of hedge funds backed up with research reports make the market more manipulative. Moreover, the Hong Kong Stock Exchange was proposing some controversial reforms which are unfavourable to local brokers. Generally, they only add more cost burdens and favour big manipulators at the expense of retail clients. Technically, the stock market enters bearish cycle and trading is expected to be cautious in the second half as investors' sentiment are still vulnerable to the economic problems in overseas.

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 63% of total revenue, was HK$10,922,000 (2010: HK$13,134,000). The division performance was poor as retail investors continued to exit from the market in the light of directionless volatile movement and low trading turnover. Investors were further hurt and scared by the disaster sell-off on the Chinese private enterprises on the financial scandal reports of some enterprises.

ADVISORY FOR FINANCIAL MANAGEMENT

Revenue generated from advisory for financial management business was HK$4,969,000 (2010: HK$9,331,000). Our investment banking team operated its business through our subsidiary, Karl Thomson Financial Advisory Limited. Although the financial sector in Hong Kong had been buoyant over the period under review, business environment for the investment banking division remained competitive as the corporate finance advisory business was dominated by the large investment banks in Hong Kong. Despite of such environment, the division continued to focus its strategy on niche clients and assignments, and therefore, be able to secure and complete a number of assignments. The division's strategy has been to provide a wide range of financial advisory services to mostly listed companies in Hong Kong, including arranging debt and equity capital market transactions, advising on private equity investments, and advising on merger and acquisition transactions.

Financial management and advisory division turned weaker as investors became more conservative in the light of very uncertain investment and economic environment. The company is watching closely on the development of overseas RMB business in Hong Kong and will explore the opportunities to promote RMB related investment products.

SECURITIES MARGIN FINANCING

During the year under review, interest income generated from securities margin loan portfolio was HK$1,515,000 (2010: HK$1,634,000). In view of the volatile fluctuation, overnight position of the retail clients remained cautious and low as investors' confidence was weak.

OIL AND GAS BUSINESS

The oil and gas exploration business is developed through our wholly owned subsidiary, KTE.

KTE entered the Revised Asset Exchange Agreement on 15 August 2011 with details disclosed under the section "Material acquisitions and disposals of companies" below. Block 3 is a highly unexplored block with very sparse geological and geophysical data coverage. Further substantial cost in exploration activities is expected. In order to earn the continuation of the exploration license, the minimum requirement is to drill two more wells by September 2014. By entering into the Agreement, the Group is free from investing further to the exploration activities in Block 3.

The general situation in Egypt is far from peaceful. The pipeline in the Egyptian Sinai has been bombed by unidentified assailants five times since the ousting of Hosni Mubarak in mid-February. This brought disruption in sending gas flow to nearby countries including Israel. Economically, Egypt is struggling. Analysts said revenue from export and tourism has dropped sharply and the economic growth forecasts have been slashed from nearly 6 percent for fiscal 2010-2011 to roughly 2.5 percent. Politically, the country remains fragile. In late June, a peaceful protest in Tahrir Square turned into a night of clashes between the police and protesters in which more than 1,000 people were injured. It is hoped that as more clarity emerges with the expected parliamentary elections in September and the presidential elections possibly as early as November, some of the political pressure may ease.

Given that the Group is not fully comfortable that all ripple effect of the unrest in Egypt is settled, the Company would remain cautious before finalising any development plan in Egypt.

ASSOCIATE - ELECTROPLATING EQUIPMENT BUSINESS

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

ATNT has seen a significant increase in revenue, an increase from approximately HK$219.4 million of last year to approximately HK$386.5 million. However, the gross profit margin has dropped by 6.4%. This was mainly due to the further increase in global commodity price which leads to general material price increase. Besides that, appreciation in Renminbi and higher labor costs in China due to general salary increase in 2011 had also contributed to the slide in the gross profit margin.

The overwhelming demand for certain consumer electronic products mainly i-Phone, i-Pad, smartphones and tablet PC have continued to power the growth in the PCB markets. The improvement in SF sector was mainly due to improvement in the market sentiment and the recognition of the established brand name of Pal Surface Treatment System Ltd.

The growth momentums of consumer electronics products are set to continue in 2011 if the global economy could continue to pick up steadily. However, our associate ATNT will remain cautious as Europe and USA are still mired with sovereign debt crisis and unemployment issues. An abrupt change in the economic environment in these regions will definitely halt all fixed asset investment and scale down our SF revenue growth.

MATERIAL ACQUISITIONS AND DISPOSALS OF COMPANIES

On 13 April 2011, the Company announced the lapse of the sales agreement ("Block 3 Sales Agreement") between the KTE and Aegean Energy (Egypt) Limited ("Aegean Energy") signed on 18 May 2010. Subject to certain conditions, KTE agreed to sell and Aegean Energy agreed to purchase 20% participating interest in the 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 Block 3 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 Revised Asset Exchange 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. Pursuant to the terms of the Revised Asset Exchange Agreement, Groundstar agreed to transfer to PPP the 20% undivided participating interest in the Block 2 Concession and the 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 US$379,943.19 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 Agreements, the Group is free from investing further to the exploration activities in Block 3. Given that the Company is not yet fully comfortable that all ripple effect of the unrest in Egypt is settled, the Company would adopt a prudent approach by withholding any drilling plan in Block 2 in near term. The Company will continue to explore other investment opportunities in exploration or production block in other areas.

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 30 June 2011, the Group had shareholders' funds of approximately HK$497,001,000 (31 December 2010: HK$498,624,000). The net current assets of the Group were HK$28,403,000 (31 December 2010: HK$51,090,000), which consisted of current assets of HK$198,603,000 (31 December 2010: HK$223,382,000) and current liabilities of HK$170,200,000 (31 December 2010: HK$172,292,000), representing a current ratio of approximately 1.17 (31 December 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 30 June 2011, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$18,063,000 (31 December 2010: HK$19,306,000).

As at 30 June 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 1 (31 December 2010: 2).

CONTINGENT LIABILITIES

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. As at 30 June 2011, HK$1,008,000 (31 December 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 30 June 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 30 June 2011, bank deposits amounting to approximately HK$7,518,000 (31 December 2010: HK$7,513,000) and listed securities held by margin clients with market value amounting to approximately HK$18,710,000 (31 December 2010: HK$19,470,000) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 30 June 2011, the total number of issued ordinary shares of the Company was 636,843,612 of HK$0.10 each (31 December 2010: 636,843,612 shares of HK$0.10 each).

HUMAN RESOURCES

As at 30 June 2011, the Group employed a total of 80 staff (2010: 86) of which 37 were commission based (2010: 41) and the total related staff cost amounted to HK$7,071,000 (2010: HK$5,977,000). 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.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

At 30 June 2011, the Directors and chief executives of the Company had the following interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange:

1. Long positions in the ordinary shares of HK$0.10 each of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Mr. Lam Kwok Hing *(Note)*	Interest of controlled corporation	381,718,000	50.05%
Mr. Nam Kwok Lun *(Note)*	Interest of controlled corporation	381,718,000	50.05%

Note: The shares are registered in the name of and beneficially owned by J&A Investment Limited ("J&A"). The entire issued share capital of J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

2. Long positions in the ordinary shares of HK$0.01 each of ATNT

Name of Director	Number of issued ordinary shares held Personal interests	 Corporate interests *(Note)*	 Total	Percentage of the issued share capital of ATNT
Mr. Lam Kwok Hing	3,474,667	48,520,666	51,995,333	12.19%

Note: The shares are registered in the name of and beneficially owned by Medusa Group Limited ("Medusa"). The entire issued share capital of Medusa is wholly owned by Mr. Lam Kwok Hing. Also, Karfun Investments Limited, a wholly-owned subsidiary of the Company, in which Mr. Lam Kwok Hing owns interests through J&A, is interested in 201,995,834 ATNT shares.

In addition to the above, one of the Directors has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the Directors or the chief executives of the Company had an interest or a short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of the SFO) that was required to be recorded under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or chief executives or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares of the Company or any other body corporate.

SHARE OPTION SCHEME

1. The Company

Pursuant to the share option scheme of the Company approved at the annual general meeting held on 7 September 2004 (the "Share Option Scheme"), the Board may at its discretion, invite any employees (whether full-time or part-time), executives or officers of the Company and any of its subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who the Board considers will contribute or have contributed to the Company or any of its subsidiaries (the "Eligible Participants"), to take up options to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide incentives to the Eligible Participants. The Share Option Scheme will expire on 6 September 2014.

No options have been granted to the Eligible Participants under the Share Option Scheme since adoption of the Share Option Scheme.

2. ATNT

At the annual general meeting held on 13 June 2005, an ordinary resolution had been passed to adopt of the share option scheme (the "ATNT Share Option Scheme"). Pursuant to the ATNT Share Option Scheme, the Board may at its discretion, invite any employees (whether full-time or part-time), executives or officers of ATNT and any of its subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who the Board considers will contribute or have contributed to ATNT or any of its subsidiaries (the "Eligible Participants"), to take up options to subscribe for shares in ATNT. The purpose of the ATNT Share Option Scheme is to provide incentives to the Eligible Participants. The ATNT Share Option Scheme will expire on 12 June 2015.

No options have been granted to the Eligible Participants under the ATNT Share Option Scheme since the adoption of ATNT Share Option Scheme.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives, nor their associates had any interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), and none of the Directors or chief executives, nor their spouses or children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the review period.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2011, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in ordinary shares of HK$0.10 each of the Company

Name of shareholder	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
J&A *(Note)*	381,718,000	50.05%

Note: J&A is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, no person (other than the Directors and chief executives of the Company whose interests are set out under the heading "Directors' and Chief Executives' Interests" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period under review was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is composed of all of its independent non-executive Directors, namely Messrs. Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David. The principal duties of the Audit Committee are to review, together with management and the Company's external auditors, the accounting principles and practices adopted by the Company and discuss internal controls and financial reporting matters.

The international auditor of the Company, Messrs. Deloitte Touche Tohmatsu have reviewed the financial statements for the period under review and have issued a report on review of interim financial information. In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed together with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the unaudited interim financial statements for the period under review.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is composed of all of its Directors, namely Messrs. Lam Kwok Hing, Nam Kwok Lun, Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David. The principal functions of the Remuneration Committee include reviewing the remuneration policies of the Company, assessing the performance of the directors and senior management of the Company and determining policies in respect to their remuneration packages.

REVIEW OF INTERIM FINANCIAL INFORMATION

This interim financial information is unaudited, but has been reviewed by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and the Audit Committee.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES IN APPENDIX 14 OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report except for the deviation from code provision A.4.2. of the Code which every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to Bye-laws of the Company, the Chairman or Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. As continuation is a key factor to the successful implementation of any long-term 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six-month period ended 30 June 2011, the Company has adopted the Model Code under Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code and the Code during the period under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PUBLIC FLOAT

As at 30 June 2011 and 25 August 2011 (the latest practicable date of this interim report), the Company complied with the 25% public float requirement under the Listing Rules.

PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Interim Report 2011, containing the relevant information required by the Rules Governing the Listing of Securities on the Stock Exchange, has been published on the websites of the Stock Exchange and the Company.

BOARD OF DIRECTORS

As of the date of this interim report (namely, 25 August 2011), the executive Directors of the Company are Mr. Lam Kwok Hing (Chairman) and Mr. Nam Kwok Lun (Deputy Chairman and Managing Director); the independent non-executive Directors are Mr. Chen Wei-Ming Eric, Mr. Kwan Wang Wai Alan and Mr. Ng Chi Kin David.

On behalf of the Board
Nam Kwok Lun
Deputy Chairman and Managing Director

25 August 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF KARL THOMSON HOLDINGS LIMITED

Introduction

We have reviewed the interim financial information set out on pages 22 to 40, which comprises the condensed consolidated statement of financial position of Karl Thomson Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

	NOTES	Six months ended 30 June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Revenue	3	17,432	24,144
Net exchange gain (loss)		868	(942)
Other income		833	1,187
Allowance for bad and doubtful debts		(1,147)	(7)
Depreciation		(207)	(180)
Finance costs		(1,262)	(736)
Staff costs		(7,071)	(5,977)
Other expenses		(14,964)	(16,466)
Impairment loss on exploration and evaluation assets	8	(13,800)	(56,969)
Share of profit of an associate		3,742	2,618
Loss before taxation		(15,576)	(53,328)
Taxation	4	—	—
Loss for the period		(15,576)	(53,328)
Other comprehensive income (expense)			
Exchange difference arising on translation		12,475	(10,101)
Share of other comprehensive income of an associate		1,478	954
Other comprehensive income (expense) for the period		13,953	(9,147)
Total comprehensive expense for the period		(1,623)	(62,475)

	NOTE	Six months ended 30 June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(14,474)**	(39,978)
Non-controlling interests		**(1,102)**	(13,350)
		(15,576)	(53,328)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(5,096)**	(45,701)
Non-controlling interests		**3,473**	(16,774)
		(1,623)	(62,475)
Loss per share – Basic	6	**HK(2.27) cents**	HK(6.28) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	NOTES	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets	7	1,119	985
Trading rights		—	—
Exploration and evaluation assets	8	335,085	320,005
Interest in an associate		126,576	121,356
Statutory deposits		5,152	4,423
Loans receivable	9	666	765
		468,598	447,534
CURRENT ASSETS			
Accounts receivable	10	75,772	76,996
Loans receivable	9	429	533
Other receivables, prepayments and deposits		6,122	8,204
Tax recoverable		16	—
Pledged fixed deposits (general accounts)	11	7,518	7,513
Bank balances (trust and segregated accounts)		90,683	95,330
Bank balances (general accounts) and cash		18,063	19,306
		198,603	207,882
Assets classified as held for sale	8	—	15,500
		198,603	223,382

	NOTES	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
CURRENT LIABILITIES			
Accounts payable	12	111,894	111,240
Other payables and accrued expenses		10,263	11,892
Other loans	13	—	2,280
Bank overdrafts	13	3,256	7,221
Amount due to a joint venture		2,943	2,943
Amounts due to directors	16(c)	41,844	36,716
		170,200	172,292
NET CURRENT ASSETS		28,403	51,090
NET ASSETS		497,001	498,624
CAPITAL AND RESERVES			
Share capital	14	63,684	63,684
Reserves		373,616	378,712
Equity attributable to owners of the Company		437,300	442,396
Non-controlling interests		59,701	56,228
TOTAL EQUITY		497,001	498,624

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000* *(Note)*	Currency translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2010 (audited)	63,684	359,456	29,140	24,727	(563)	476,444	76,912	553,356
Loss for the period	–	–	–	–	(39,978)	(39,978)	(13,350)	(53,328)
Exchange difference arising on translation	–	–	–	(6,677)	–	(6,677)	(3,424)	(10,101)
Share of other comprehensive income of an associate	–	–	–	954	–	954	–	954
Total comprehensive expense for the period	–	–	–	(5,723)	(39,978)	(45,701)	(16,774)	(62,475)
At 30 June 2010 (unaudited)	63,684	359,456	29,140	19,004	(40,541)	430,743	60,138	490,881
At 1 January 2011 (audited)	63,684	359,456	29,140	46,665	(56,549)	442,396	56,228	498,624
Loss for the period	–	–	–	–	(14,474)	(14,474)	(1,102)	(15,576)
Exchange difference arising on translation	–	–	–	7,900	–	7,900	4,575	12,475
Share of other comprehensive income of an associate	–	–	–	1,478	–	1,478	–	1,478
Total comprehensive income (expense) for the period	–	–	–	9,378	(14,474)	(5,096)	3,473	(1,623)
At 30 June 2011 (unaudited)	63,684	359,456	29,140	56,043	(71,023)	437,300	59,701	497,001

Note: The special reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the reorganisation of the Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
NET CASH FROM OPERATING ACTIVITIES	802	855
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	(341)	(75)
Addition of exploration and evaluation assets	—	(16,886)
Additional pledged fixed deposits (general accounts) made	(5)	(4)
Other investing cash flows	18	11
	(328)	(16,954)
NET CASH FROM FINANCING ACTIVITIES		
New bank borrowings raised	2,125	—
Repayment of bank borrowings	(2,125)	—
Repayments of other loans	(2,280)	(5,201)
Repayment of amount due to a joint venture	—	(1,125)
Advances from directors	5,128	22,922
	2,848	16,596
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,322	497
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	12,085	20,600
Effect of foreign exchange rate changes	(600)	(327)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	14,807	20,770
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances (general accounts) and cash	18,063	22,322
Bank overdrafts	(3,256)	(1,552)
	14,807	20,770

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as 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 condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretation ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
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 or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[2]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 July 2012.

HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 are new or revised standards on consolidation, joint arrangements and disclosures which were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The Directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

The directors are assessing the impact of the application of these new or revised standards on the results and financial position of the Group. Such impact will be disclosed in future consolidated financial statements of the Group upon completion of the assessments.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Broking for securities, futures and options Six months ended 30 June		Advisory for financial management Six months ended 30 June		Securities margin financing Six months ended 30 June		Oil and gas Six months ended 30 June		Total reportable segments Six months ended 30 June		Unreportable segment - others Six months ended 30 June		Consolidated Six months ended 30 June	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE														
Segment revenue	10,922	13,134	4,969	9,331	1,515	1,634	–	–	17,406	24,099	26	45	17,432	24,144
RESULTS														
Segment (loss) profit	(3,840)	(1,979)	1,125	4,136	1,411	1,632	(14,918)	(58,021)	(16,222)	(54,232)	14	36	(16,208)	(54,196)
Unallocated expenses													(3,110)	(1,750)
Share of profit of an associate													3,742	2,618
Loss before taxation													(15,576)	(53,328)

Segment (loss) profit represents the financial results by each segment without allocation of central administrative costs and share of profit of an associate. This is the measure reported to the Board of Directors for the purposes of resources allocation and performance assessment.

The total assets of the Group at the end of the interim period do not differ significantly since the latest annual report date.

4. TAXATION

No provision for Hong Kong Profits Tax had been made in the condensed consolidated financial statements for the six months ended 30 June 2010 and 2011 as the companies within the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by estimated tax losses brought forward.

No provision for profits tax had been made in other jurisdictions as the subsidiaries in other jurisdictions had no assessable profits for the six months ended 30 June 2010 and 2011.

5. DIVIDENDS

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(14,474)	(39,978)
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 as there were no potential ordinary shares during the six months ended 30 June 2010 and 2011.

7. FIXED ASSETS

The Group acquired computer equipment and furniture and fixtures at an aggregate cost of approximately HK$341,000 (2010: HK$75,000). The Group did not dispose of any fixed assets during the six months ended 30 June 2010 and 2011.

8. EXPLORATION AND EVALUATION ASSETS

	Oil concession rights HK$'000 *(Note b)*	Others HK$'000 *(Note c)*	Total HK$'000
COST AND CARRYING VALUES			
At 1 January 2010 (audited)	322,056	60,426	382,482
Addition	—	16,886	16,886
Impairment loss *(Notes c and d)*	(19,709)	(37,260)	(56,969)
Amounts classified as assets held for sale shown under current assets *(Note d)*	(15,500)	—	(15,500)
Exchange adjustment	(12,476)	1,452	(11,024)
At 30 June 2010 (unaudited)	274,371	41,504	315,875
Additions	—	4,428	4,428
Impairment loss *(Notes c and d)*	(2,992)	(36,683)	(39,675)
Exchange adjustment	48,626	(9,249)	39,377
At 31 December 2010 (audited)	320,005	—	320,005
Amounts reclassified as exploration and evaluation assets from assets held for sale *(Note d)*	15,500	—	15,500
Impairment loss *(Note b)*	(13,800)	—	(13,800)
Exchange adjustment	13,380	—	13,380
At 30 June 2011 (unaudited)	**335,085**	**—**	**335,085**

Notes:

(a) During the period, protests against Hosni Mubarak, the president of Egypt and his government erupted in Cairo and other cities in Egypt urging Hosni Mubarak to step down as president of Egypt. On 11 February 2011, Hosni Mubarak resigned and handed the power to Supreme Council of the Armed Forces ("SCAF") which dissolved the parliament and suspended the constitution. A new prime minister and a cabinet have been elected by the SCAF for a period of six months till the presidential election. Although there is a political instability in Egypt, the Directors of the Company consider that the Group's oil concession rights in Egypt will not be affected as the SCAF has declared that Egypt will abide by all the terms of agreements signed by the former president on behalf of the country with the international companies operating in Egypt and the Group has met the work program and expenditure requirements on exploration operations and activities as set out in the concession agreements.

(b) *Oil concession rights represented the rights given to the Group by the Egyptian government in relation to exploration and extraction in the oil fields of Block 2 and Block 3 in Egypt. The exploration period granted by Egypt government for both Block 2 and Block 3 was eight years from September 2006. After the successful exploration of oil, the Egyptian government will grant further twenty years for the extraction period for both Block 2 and Block 3. Both Block 2 and Block 3 are jointly operated with Groundstar. When oil is produced in the field, certain percentage of crude oil extracted will be set aside to recover exploration, operation and development cost paid by the joint venturers, which are the Group and Groundstar. The remaining crude oil extracted will be shared at a pre-agreed proportion between the joint venturers and the Egyptian government.*

On 25 January 2010, the Group entered into an agreement with Groundstar regarding the exchange of participating interest in Block 3 and Block 2 (the "Asset Exchange Agreement"). Pursuant to the Asset Exchange Agreement, 20% participating interest of Block 2 held by Groundstar will be passed to the Group in order to exchange 20% participating interest of Block 3 held by the Group. The Asset Exchange Agreement is subject to approval by the Egypt regulatory authorities and completion shall take place within five days after receipt of such approval.

According to the Asset Exchange Agreement, during the interim period between the effective date of the Asset Exchange Agreement and the date of approval to be granted by the Egyptian regulatory authorities, the Group has taken up all rights and obligations in respect of Groundstar's 20% participating interest in Block 2 while Groundstar has taken up all rights and obligations in respect of the Group's 20% participating interest in Block 3. In the event that the approval would not be obtained within 60 days from 20 September 2010 at the latest, the Asset Exchange Agreement would be terminated and the interests in Block 2 and Block 3 would be put back to the original position as if the Asset Exchange Agreement has not been signed. On 8 November 2010, the Group entered into a supplementary agreement with Groundstar and both parties agreed to extend the completion date to 31 March 2011. On 8 April 2011, the Group entered into another supplementary agreement with Groundstar and both parties agreed to extend the completion date to 31 March 2012.

Subsequent to 30 June 2011, the Group entered into an agreement with Groundstar on 15 August 2011 to amend and restate the Asset Exchange Agreement. Pursuant to the Revised Asset Exchange Agreement, Groundstar agreed to transfer its 20% participating interest of Block 2 and certain casing inventories amounting to HK$1,700,000 to the Group, in consideration of which the Group agreed to transfer to Groundstar its 40% participating interest of Block 3 held by the Group and refund to Groundstar the balance of approximately US$380,000 already held by the Group on trust for Groundstar in respect of the security for the obligations under the concession agreement of Block 2. With the signed Revised Asset Exchange Agreement and taking into account the implication of the Asset Exchange Agreement, the Group effectively will further exchange its remaining 20% participating interest of Block 3 with the consideration of the casing inventories.

During the period ended 30 June 2011, the Directors of the Company assessed the impairment of oil concession rights of Block 3 and recognised an impairment loss of HK$13,800,000 by reference to the Revised Asset Exchange Agreement.

(c) Others represented the geological and geophysical studies costs, casing, drilling and trenching expenses and labour costs incurred in the oil exploration process.

During the year ended 31 December 2010, the Group carried out an impairment review for the others exploration and evaluation assets. An impairment loss of approximately HK$73,943,000 was recognised in profit or loss in relation to others exploration and evaluation assets for two wells in Block 2 for the year ended 31 December 2010. The Directors of the Company concluded that these wells were not economically viable after the testing performed during the year. Therefore, the relevant exploration and evaluation costs for drilling these wells were impaired in profit or loss for the year ended 31 December 2010.

(d) On 18 May 2010, the Group entered into the Block 3 Sales Agreement with Aegean Energy regarding the sale of the 20% participating interest of Block 3 at a cash consideration of US$2,000,000 (equivalent to HK$15,500,000). The completion of the disposal was subject to the approval from the Egyptian regulatory authorities. The agreement would be void if the disposal could not be completed by 31 October 2010. On 29 October 2010, the Group entered into a supplementary agreement with Aegean Energy and both parties agreed to extend the completion date to 31 March 2011. According to the Block 3 Sales Agreement, during the period from the date of agreement until the completion of the disposal, all expenditure obligations incurred in respect of the 20% participating interest of Block 3 will be solely borne by Aegean Energy.

At the date of signing the Block 3 Sales Agreement, the Directors of the Company expected the disposal would be completed within twelve months. Accordingly, an exploration and evaluation assets amounting to HK$15,500,000 in relation to the 20% participating interest of Block 3 was classified as assets held for sale and was separately presented in the consolidated statement of financial position as at 31 December 2010. The disposal of the 20% participating interest of Block 3 would cause the Group incurring a loss on disposal of approximately HK$22,701,000. Therefore, an impairment loss of HK$22,701,000 was recognised in profit or loss for the year ended 31 December 2010 to write down the oil concession rights to fair value less costs to sell.

The Block 3 Sales Agreement lapsed as the conditions set out in the Block 3 Sales Agreement including the condition of obtaining the approval from the Egyptian regulatory authorities were not met and the Group and Aegean Energy decided not to extend the Block 3 Sales Agreement. Following the lapse of the Block 3 Sales Agreement, the Group continues to hold 20% participating interest of Block 3 and Aegean Energy is not required to pay the consideration to the Group. Therefore, the assets classified as held for sale as at 31 December 2010 had been reclassified to exploration and evaluation assets upon termination of the Block 3 Sales Agreement.

9. LOANS RECEIVABLE

	30 June 2011 HK$'000	31 December 2010 HK$'000
Fixed-rate loans receivable denominated in Hong Kong dollars	1,095	1,298
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the period end date)	429	533
Non-current assets (receivable after 12 months from the period end date)	666	765
	1,095	1,298

The maturity of the loans receivable is as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Within 1 year	429	533
In more than 1 year but not more than 2 years	152	209
In more than 2 years but not more than 3 years	93	90
In more than 3 years but not more than 4 years	100	96
In more than 4 years but not more than 5 years	107	103
In more than 5 years	214	267
	1,095	1,298

Loans receivable with an aggregate carrying value of approximately HK$681,000 (31 December 2010: HK$718,000) are secured by a property located in Hong Kong. The Group is not permitted to sell or repledge the property in the absence of default by the borrowers.

The effective interest rates (which are equal to contractual interest rate) on the Group's loans receivable ranged from 5% to 8.25% (31 December 2010: 7% to 8.25%) per annum. Interest rate is fixed at the time of entering into the loan agreement. The maturity period of the loans is ranging from 1 year to 8 years.

10. ACCOUNTS RECEIVABLE

	30 June 2011 HK$'000	31 December 2010 HK$'000
Accounts receivable arising from the business of dealing in securities:		
Cash clients	25,803	33,690
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	12,164	8,893
Loans to securities margin clients	37,513	22,037
Accounts receivable arising from the business of providing corporate advisory services	292	617
	75,772	76,996

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 were 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% (31 December 2010: 8.25%) per annum. 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$124,189,000 (31 December 2010: HK$269,407,000). The Group is permitted to sell or repledge the marketable securities if the customer defaults the payment as requested by the Group.

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

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
Accounts receivable from corporate advisory services clients		
0 to 90 days	152	—
91 to 180 days	—	125
Over 180 days	140	492
	292	617
Accounts receivable from cash clients		
0 to 90 days	23,728	32,500
91 to 180 days	2,075	1,190
	25,803	33,690

11. PLEDGED FIXED DEPOSITS

The Group pledged fixed deposits to banks to secure general banking facilities granted to the Group. The pledged fixed deposits carry interest rates ranging from 0.020% to 0.205% (31 December 2010: 0.075% to 0.205%) per annum and will be released upon the expiry of relevant banking facilities.

12. ACCOUNTS PAYABLE

	30 June 2011 HK$'000	31 December 2010 HK$'000
Accounts payable arising from the business of dealing in securities:		
Cash clients	77,416	89,809
HKSCC	7,376	—
Accounts payable to clients arising from the business of dealing in futures contracts	21,052	18,496
Amounts due to securities margin clients	6,050	2,935
	111,894	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 the HKFECC. The excess of the outstanding amounts over the required margin deposits stipulated by the 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$90,683,000 (31 December 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.

13. OTHER LOANS AND BANK OVERDRAFTS

Other loans represented loans borrowed from third parties. The amounts were unsecured and repayable on demand. The proceeds were used to finance the operation of the oil and gas business. At 31 December 2010, other loans bore interest at 6% per annum. The amounts were repaid during the period.

Bank overdrafts carry interest at market rates which range from 1% to 1.05% per annum.

14. SHARE CAPITAL

	Number of shares '000	HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 30 June 2011	1,000,000	100,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 30 June 2011	636,844	63,684

15. CAPITAL COMMITMENTS

According to the concession agreement signed by Groundstar on 10 November 2006 regarding the exploration of Block 3, Groundstar has committed to acquire seismic data and spend at least US$3,000,000 (equivalent to HK$23,400,000) in the initial two years (i.e. on or before September 2008) in Block 3 and such amount was spent before 31 December 2008. After that, Groundstar should spend at least US$4,000,000 (equivalent to HK$31,200,000) to drill two wells in the subsequent three years (i.e. on or before September 2011) in Block 3 and such amount was spent before August 2011. Finally, both Groundstar and the Group should spend at least US$5,000,000 (equivalent to HK$39,000,000) to drill two wells in the final three years (i.e. on or before September 2014). As at 30 June 2011, a total of four wells are required to be drilled by September 2014. If the Asset Exchange Agreement as mentioned in note 8(b) has finally not been approved by the Egyptian regulatory authorities or is terminated, the Group's cash contribution mentioned above will be 20% and the Group has to pay back Groundstar 20% of the amount spent by Groundstar in Block 3 during the interim period between the effective date of the Asset Exchange Agreement and the date of rejection by Egyptian government or the date of termination.

According to the concession agreement signed by the Group on 17 September 2006 regarding the exploration of Block 2, the Group is committed to spend at least US$7,000,000 (equivalent to HK$54,600,000) to drill three wells in the initial three years (i.e. on or before September 2009). As at 31 December 2009, the committed amount in the initial three years was spent and three wells were drilled. After that, the Group should spend at least US$5,000,000 (equivalent to HK$39,000,000) to drill two wells in the subsequent three years (i.e. on or before September 2012). As at 30 June 2011, drilling of two wells have not been started. Finally, Aminex Petroleum Egypt Limited should spend at least US$4,000,000 (equivalent to HK$31,200,000) to drill two wells in the final two years (i.e. on or before September 2014). If the Asset Exchange Agreement as mentioned in note 8(b) has finally not been approved by the Egyptian regulatory authorities or is terminated, the Group's cash contribution in Block 2 will be 80% and the Group will receive from Groundstar 20% of the amount spent by the Group in Block 2 during the interim period between the effective date of the Asset Exchange Agreement and the date of rejection by Egyptian government or the date of termination.

16. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with related parties:

(a) During the period, the Group received commission income and other securities dealing income from securities dealing of approximately HK$25,000 (2010: HK$20,000) from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.

(b) During the period, the Group received commission income and other securities dealing income from securities dealing of approximately HK$21,000 (2010: HK$20,000) from an associate, ATNT, in which Messrs. Lam Kwok Hing and Nam Kwok Lun have beneficial interests.

(c) As at 30 June 2011, two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun, advanced approximately HK$1,631,000 (31 December 2010: HK$1,620,000) and HK$40,213,000 (31 December 2010: HK$35,096,000) respectively to the Group. During the period, the Group paid finance costs of HK$11,000 (2010: HK$12,000) and HK$1,018,000 (2010: HK$246,000) to the Directors respectively.

(d) For the period ended 30 June 2010, the Group received interest income from securities dealing of approximately HK$400 from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.

The remuneration of key management personnel who are the Directors of the Company during the period was as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	**1,971**	1,047
Post-employment benefits	**12**	12
	1,983	1,059

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.