

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Hoifu
Hoifu Energy Group Limited
凱富能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

ANNOUNCEMENT OF 2012 FINAL RESULTS

RESULTS

The Board of Directors (the “Board”) of Hoifu Energy Group Limited (the “Company”) announced that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>NOTES</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	6	18,974	30,949
Net exchange gain		306	138
Other income		2,771	1,559
Reversal of allowance (allowance for) bad and doubtful debts		431	(2,206)
Depreciation		(415)	(414)
Finance costs	8	(1,782)	(2,228)
Other expenses		(19,485)	(27,415)
Staff costs, including Directors’ remuneration		(13,926)	(13,677)
Impairment loss on exploration and evaluation assets		–	(339,791)
Share of loss of an associate		(11,852)	(17,939)
Impairment loss on interest in an associate		(19,110)	–
Gain on distribution in specie of shares of a subsidiary		22,311	–
Loss before taxation		(21,777)	(371,024)
Taxation	9	–	–
Loss for the year	10	(21,777)	(371,024)

	<i>NOTE</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Other comprehensive (expense) income			
Exchange differences arising on translation		(282)	6,093
Share of other comprehensive income of an associate		899	3,381
Reclassification adjustment for the cumulative gain included in profit or loss upon distribution in specie of shares of a subsidiary		(22,311)	–
Other comprehensive (expense) income for the year		(21,694)	9,474
Total comprehensive expense for the year		(43,471)	(361,550)
Loss for the year attributable to:			
Owners of the Company		(21,265)	(270,281)
Non-controlling interests		(512)	(100,743)
		(21,777)	(371,024)
Total comprehensive expense attributable to:			
Owners of the Company		(42,930)	(262,933)
Non-controlling interests		(541)	(98,617)
		(43,471)	(361,550)
Loss per share — Basic	<i>11</i>	HK\$(0.0281)	HK\$(0.4244)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	<i>NOTES</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current assets			
Fixed assets		749	1,032
Trading rights		–	–
Exploration and evaluation assets		–	–
Interest in an associate		–	106,798
Deposits paid for acquisition of a subsidiary		1,086	–
Statutory deposits		4,307	4,075
Loans receivable		700	771
		<u>6,842</u>	<u>112,676</u>
Current assets			
Accounts receivable	<i>13</i>	71,142	44,282
Loans receivable		199	342
Other receivables, prepayments and deposits		6,210	7,077
Tax recoverable		–	117
Pledged fixed deposits (general accounts)		7,530	7,517
Bank balances (trust and segregated accounts)		90,345	90,454
Bank balances (general accounts) and cash		215,885	16,478
		<u>391,311</u>	<u>166,267</u>
Current liabilities			
Accounts payable	<i>14</i>	114,007	94,979
Other payables and accrued expenses		13,954	12,466
Bank overdrafts		9,156	6,967
Amounts due to Directors		41,995	27,457
		<u>179,112</u>	<u>141,869</u>
Net current assets		<u>212,199</u>	<u>24,398</u>
Net assets		<u>219,041</u>	<u>137,074</u>
Capital and reserves			
Share capital		145,684	63,684
Reserves		116,287	115,779
Equity attributable to owners of the Company		261,971	179,463
Non-controlling interests		(42,930)	(42,389)
Total equity		<u>219,041</u>	<u>137,074</u>

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 holding company is Triumph Energy Group Limited, which is incorporated in the British Virgin Islands (“BVI”). Its ultimate holding company is Taiming Petroleum Group Limited which is incorporated in the BVI.

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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial assets

The application of the amendments to 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 HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle ¹
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
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 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
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine ¹

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) — continued

- ¹ Effective for annual periods beginning on or after 1 January 2013.
- ² Effective for annual periods beginning on or after 1 January 2014.
- ³ Effective for annual periods beginning on or after 1 January 2015.
- ⁴ Effective for annual periods beginning on or after 1 July 2012.

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. HK(SIC)-INT 12 “Consolidation — Special purpose entities” will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-INT 13 “Jointly controlled entities — Non-monetary contributions by venturers” will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group for annual period beginning on 1 January 2013.

The Directors considered that the application of HKFRS 11 will not have significant impact on the results of the Group as the jointly controlled operations was deemed to be terminated in previous year. Also, based on the existing group structure, the Directors consider that the application of HKFRS 10 will not have significant impact on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) — continued

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 “Presentation of items of other comprehensive income” introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’. The amendments to HKAS 1 also require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures — Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective for the Group until annual period beginning on 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to certain accounts receivable and accounts payable.

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 as explained in the accounting policies set out below. 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 annually and 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. During the year ended 31 December 2011, the Group decided 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 was recognised on exploration and evaluation assets. The Group's carrying value of exploration and evaluation assets as at 31 December 2012 and 2011 was zero.

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.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both years.

6. REVENUE

	2012	2011
	HK\$'000	HK\$'000
Commission and brokerage income	13,285	22,811
Interest income from:		
Clients	3,927	5,630
Authorised institutions	39	37
Others	9	4
Advisory fee income	1,714	2,467
	18,974	30,949

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers, 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 unreportable 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 allocate 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 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 2012

	Reportable segments				Total HK\$’000	Unreportable segment- others HK\$’000	Consolidated HK\$’000
	Broking for securities, futures and options HK\$’000	Advisory for financial management HK\$’000	Securities margin financing HK\$’000	Oil and gas HK\$’000			
REVENUE							
Segment revenue	<u>11,886</u>	<u>4,780</u>	<u>2,246</u>	<u>-</u>	<u>18,912</u>	<u>62</u>	<u>18,974</u>
RESULTS							
Segment (loss) profit	<u>(7,123)</u>	<u>(545)</u>	<u>1,413</u>	<u>(1,342)</u>	<u>(7,597)</u>	<u>(134)</u>	<u>(7,731)</u>
Corporate administration costs							(5,395)
Share of loss of an associate							(11,852)
Impairment loss on interest in an associate							(19,110)
Gain on distribution in specie of shares of a subsidiary							<u>22,311</u>
Loss before taxation							<u>(21,777)</u>

7. SEGMENT INFORMATION — continued

Segment revenues and results — continued

For the year ended 31 December 2011

	Reportable segments						Consolidated HK\$'000
	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	
REVENUE							
Segment revenue	<u>19,772</u>	<u>8,380</u>	<u>2,717</u>	<u>–</u>	<u>30,869</u>	<u>80</u>	<u>30,949</u>
RESULTS							
Segment (loss) profit	<u>(4,437)</u>	<u>(217)</u>	<u>1,499</u>	<u>(345,723)</u>	<u>(348,878)</u>	<u>(228)</u>	<u>(349,106)</u>
Corporate administration costs							<u>(3,979)</u>
Share of loss of an associate							<u>(17,939)</u>
Loss before taxation							<u>(371,024)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the financial results by each segment without allocation of corporate administration costs, share of loss of an associate, impairment loss on interest in an associate and gain on distribution in specie of shares of a subsidiary. 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 2012

	Reportable segments						Consolidated HK\$'000
	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	
ASSETS							
Segment assets	<u>166,744</u>	<u>3,540</u>	<u>46,443</u>	<u>4,902</u>	<u>221,629</u>	<u>946</u>	<u>222,575</u>
Unallocated assets							<u>175,578</u>
Consolidated total assets							<u>398,153</u>
LIABILITIES							
Segment liabilities	<u>115,484</u>	<u>1,160</u>	<u>10,746</u>	<u>6,620</u>	<u>134,010</u>	<u>–</u>	<u>134,010</u>
Amounts due to Directors							<u>41,995</u>
Unallocated liabilities							<u>3,107</u>
Consolidated total liabilities							<u>179,112</u>

7. SEGMENT INFORMATION — continued

Segment assets and liabilities — continued

At 31 December 2011

	Reportable segments					Unreportable segment- others HK\$'000	Consolidated HK\$'000
	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		
ASSETS							
Segment assets	<u>128,903</u>	<u>6,726</u>	<u>27,788</u>	<u>5,645</u>	<u>169,062</u>	<u>1,136</u>	170,198
Interest in an associate							106,798
Unallocated assets							<u>1,947</u>
Consolidated total assets							<u>278,943</u>
LIABILITIES							
Segment liabilities	<u>97,588</u>	<u>1,919</u>	<u>6,995</u>	<u>7,453</u>	<u>113,955</u>	<u>-</u>	113,955
Amounts due to Directors							27,457
Unallocated liabilities							<u>457</u>
Consolidated total liabilities							<u>141,869</u>

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, deposits paid for acquisition of a subsidiary, bank balances and cash for administrative purpose and other assets including other receivables, prepayments and deposits of head office.
- all liabilities are allocated to operating segments, other than 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 2012

	Reportable segments				Total HK\$'000	Unreportable segment- others HK\$'000	Consolidated HK\$'000
	Broking for securities, futures and options HK\$'000	Advisory for financial management HK\$'000	Securities margin financing HK\$'000	Oil and gas HK\$'000			
Amounts included in the measure of segment (loss) profit or segment assets:							
Additions to fixed assets	118	14	-	-	132	-	132
Depreciation	411	4	-	-	415	-	415
Reversal of allowance for bad and doubtful debts	(431)	-	-	-	(431)	-	(431)
Finance costs	46	-	111	8	165	1,617	1,782
Interest income	(1,605)	(62)	(2,246)	(4)	(3,917)	(65)	(3,982)

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

Share of loss of an associate							11,852
Impairment loss on interest in an associate							19,110
Gain on distribution in specie of shares of a subsidiary							(22,311)

For the year ended 31 December 2011

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

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 location of operations of the subsidiaries. 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	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong	<u>1,835</u>	<u>107,830</u>

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 2012 and 2011.

8. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings and bank overdrafts	157	218
Amounts due to Directors	1,288	1,941
Other loans	—	69
Loan from an associate	<u>337</u>	<u>—</u>
	<u>1,782</u>	<u>2,228</u>

9. TAXATION

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2012 and 2011 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss before taxation	<u>(21,777)</u>	<u>(371,024)</u>
Taxation charge at the Hong Kong Profits Tax rate of 16.5%	(3,593)	(61,219)
Tax effect of share of loss of an associate	1,956	2,960
Tax effect of income not taxable for tax purpose	(3,765)	(6)
Tax effect of estimated tax losses not recognised	2,424	1,365
Tax effect of expenses not deductible for tax purpose	3,212	57,480
Tax effect of utilisation of tax loss previously not recognised	<u>(234)</u>	<u>(580)</u>
Taxation for the year	<u>–</u>	<u>–</u>

10. LOSS FOR THE YEAR

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,500	1,490
Contributions to retirement benefits scheme (included in staff costs)	408	418
Loss from error trades	9	3
Share of tax expense of an associate (included in share of loss of an associate)	248	581
Interest income on bank deposits (included in other income)	(7)	(1)
Gain on disposal of fixed assets	<u>–</u>	<u>(3)</u>

11. LOSS PER SHARE

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(21,265)</u>	<u>(270,281)</u>
	Number of shares <i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>755,586</u>	<u>636,844</u>

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

12. DIVIDEND

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Special dividend by way of distribution of shares in a subsidiary	<u>76,758</u>	<u>–</u>

Pursuant to the resolutions passed at a special general meeting held on 20 October 2012, the Company distributed all the issued ordinary shares capital of Karfun Investments Limited to the Company's shareholders (the "Distribution in Specie"). The Distribution in Specie took place on 7 November 2012.

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

13. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Accounts receivable consist of:		
Accounts receivable arising from the business of dealing in securities:		
— Cash clients	18,166	19,585
Less: Allowance for doubtful debts	(3,070)	(3,501)
	15,096	16,084
— Hong Kong Securities Clearing Company Limited (“HKSCC”)	7,134	491
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited (“HKFECC”) arising from the business of dealing in futures contracts	8,654	5,550
Loans to securities margin clients	45,275	27,029
Less: Allowance for doubtful debts	(5,228)	(5,228)
	40,047	21,801
Accounts receivable arising from the business of advisory for financial management	211	496
Less: Allowance for doubtful debts	—	(140)
	211	356
	<u>71,142</u>	<u>44,282</u>

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.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

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\$143,110,000 (2011: HK\$75,220,000). The average percentage of collateral over the outstanding balance as at 31 December 2012 is ranged from 122% to 4971% (2011: 134% to 6971%). The fair value of pledged marketable securities of the individual 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.

13. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS
— continued

The Group does not provide any credit term to its advisory for financial management clients. The accounts receivable arising from the business of advisory for financial management clients aged within 90 days. The settlement terms of cash clients are usually one to two days after the trade date. The aged analysis of accounts receivable arising from cash clients is as follows:

Accounts receivable from cash clients

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 90 days	14,447	13,795
91 – 180 days	649	2,289
	<u>15,096</u>	<u>16,084</u>

The accounts receivable from cash clients with a carrying amount of approximately HK\$8,816,000 (2011: HK\$13,091,000) 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 (2011: 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 2012 and 2011 with reference to the subsequent settlement received after the end of the reporting period.

Movement in the allowance for doubtful debts of cash clients

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Balance at beginning of the year	3,501	1,483
Impairment losses recognised on receivables	–	2,092
Amounts recovered during the year	(431)	(56)
Amounts written off as uncollectible	–	(18)
	<u>3,070</u>	<u>3,501</u>

Movement in the allowance for doubtful debts of securities margin clients

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Balance at beginning of the year	5,228	5,198
Impairment losses recognised on receivables	–	30
	<u>5,228</u>	<u>5,228</u>

13. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS
— continued

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Balance at beginning of the year	140	153
Impairment losses recognised on receivables	–	140
Amount written off as uncollectible	(140)	(153)
	<hr/>	<hr/>
Balance at end of the year	–	140
	<hr/> <hr/>	<hr/> <hr/>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Accounts payable arising from the business of dealing in securities:		
— Cash clients	87,122	75,107
— HKSCC	–	1,503
Accounts payable to clients arising from the business of dealing in futures contracts	21,698	14,747
Amounts due to securities margin clients	5,187	3,622
	<hr/>	<hr/>
	114,007	94,979
	<hr/> <hr/>	<hr/> <hr/>

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\$90,345,000 (2011: HK\$90,454,000) 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 2012, the total revenue for the Group was approximately HK\$18,974,000 (2011: HK\$30,949,000). Loss attributable to owners of the Company was approximately HK\$21,265,000 (2011: HK\$270,281,000) as the global economy was still dampened by endless worries of the European Debt Crisis and the worldwide recession.

In November 2013, Triumph Energy Group Limited became the controlling shareholder of the Company. Subsequent to the change of the controlling shareholder during the period, the new management intends to continue the existing business of the Group of the oil and gas exploration and production and the provision of financial services. The Directors intended to restructure the business mix in order to increase the portion of oil and gas businesses so as to increase the overall profitability of the Group.

OIL AND GAS BUSINESS

On 17 December 2012, the Group entered in to an agreement (the “Acquisition”) to acquire the entire share capital of China Oil Resources Company Limited and its subsidiary (the “Target Group”) which is principally engaged in the operating of exploration and exploitation of oil and gas in Tunisia. Through PetroAsian Tunisia, the Target Group has 78.03% Participating Interests and 81.03% Paying Interests in the Ksar Hadada Permit, which was granted by the Government of Tunisia in relation to the operating interests in the exploration and exploitation of oil and gas in five identified oil prospects with a total area of approximately 2,252 square kilometers in Ksar Hadada, which lies onshore in southeast Tunisia.

Pursuant to the production sharing contract dated 20 December 2003 (“PSC”) in relation to the exploration and exploitation of oil and gas in the area under the Ksar Hadada Permit, the Group, among other PSC operators, is entitled to recover up to 45% of the oil production and 55% of the gas production for their expenditures per annum. Depending on the rate of oil and gas production, the PSC contractors will share the remaining oil and gas according to the sharing ratios in the range of 17.5% to 40% for the profit oil and in the range of 20% to 45% for the profit gas as set out in the PSC.

In view of the increasing global demand on oil and gas and the fact that the area under Sud Remada permit in Tunisia, the structure of which is adjacent to the area under the Ksar Hadada Permit and operated by Chinook Energy Inc. (stock code: CKE), a company listed on Toronto Stock Exchange, has current gross production of approximately 4,000 barrels of oil per day in average as announced by Chinook Energy Inc. on 1 November 2012 at its website (www.chinookenergyinc.com) and the SEDAR website (www.sedar.com), the Directors are optimistic about the development of the area under the Ksar Hadada Permit and consider that the Acquisition shall bring along a synergy effect with the Group’s existing business and enhance the future oil and gas reserves, which will further promote the economic growth potential of the Group. The Acquisition will be completed on 2 April 2013.

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

The Group has drilled three wells in 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 choose an appropriate time to further invest.

MARKET OVERVIEW — FINANCIAL BUSINESS

For the first half of 2012, the Hong Kong stock market was still underselling amid the doldrums of Eurodollar debt crisis, recession, in US economy and the hard-landing of Chinese economy. The China stocks were particularly attacked on the overstated earnings, accounting frauds and high financial gearings. The Shanghai A Index hit a nearly four years low of below 2,000. The Hong Kong market was also adversely affected with daily market turnover falling below HK\$40 billion for some full day sessions. The investment confidence was generally weak as the major problems were far from seeing satisfactory solutions. The equity markets and fund flows were still nervously vulnerable to the piecemeal outbreak of news and rumours. By the second half, the European Central Bank firstly came out to make strong statement to defend the Eurodollar and rule out the possibility of the withdrawal for Greece from Eurodollar zone. The vow was substantiated by the execution of Long Term Refinancing Operation (LTRO) by leading money at low interest rate to European banks on the acceptable collateral of sovereign bonds and of the Outright Monetary Transactions of conditional direct purchase of problematic sovereign bonds at request. The latter helped to bring down the interest rate of problematic countries. USA and Japan soon joined the race of quantitative easing policy (QE). USA launched the third batch of quantitative easing of continued monthly purchase of Treasury securities and mortgage-debt to press down the interest rate to spur the economy. Japanese also expanded their QE scheme to recently Yen10,000 billion aiming at an inflation target of 2%. The global equity market rebound strongly thereafter. We have seen persistent return of fund into Hong Kong with inter-bank balance rapidly escalating to more than HK\$200 billion. Investors aggressively bought stocks across the board. For the last quarter, the Chinese banks and insurance stocks achieved strong rebounds on the expectation of recovery of A share market which shot up 15% alone in December. The Hang Seng Index and H-Index managed to gain 10% and 15% in the last quarter. The improvement of sentiment helped to speed up the initial public offering of new issues. The successful listing of PICC Group of raising amount of HK\$24 billion finally safeguarded the Hong Kong stock market to sustain the fourth largest fund raising market for 2012.

The stock market looks positive in the year ahead as the risk aversion is fading after aggressive global monetary quantitative easing intention and measures. The low interest rate environment may last at least until the late 2015. The Chinese government is clearly attempting to expand the scale of cross-border fund flows. The foreseen global economy recovery and the low valuation of the Hong Kong stocks both should help to attract investor interest at certain price level. The Hong Kong Stock Exchange will likely continue to carry out more international reforms which may add additional cost burden on local brokers. It is expected that more weak local marginal operators will withdraw from the industry. Nonetheless, the Company has managed to control the cost expense and is striking actively to develop more value added services including the expansion of asset management services. The Company is confident to see improvement in turnover and profit in the coming fiscal year.

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 62.6% of total revenue was HK\$11,886,000 (2011: HK\$19,772,000). The division performance was weak on the stagnant market for the most period of the year on poor global economy outlook and poor investment confidence.

ADVISORY FOR FINANCIAL MANAGEMENT

Despite a significant decrease in funds raising activities and funds raised by IPO in Hong Kong stock market, our corporate finance business performed admirably and made further contribution to the Group's revenue. During the period, the division recorded a revenue of HK\$4,780,000, an decrease of 43% when compared with HK\$8,380,000 recorded for the corresponding period last year (12 months ended 31 December 2011). 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 above mentioned 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.

In respect of corporate finance, while maintaining the stable growth of business from our existing clients, the division shall actively devote effort in rainmaking to enlarge the client base. The division believes that balancing the investor interests and commercial viability would still require the conservative policy in the coming years. The division shall continue enhancing our capability in soliciting and undertaking projects of various scales. Although the global economic and financial environment were exceptionally volatile mainly due to the lack luster rebound in US economic growth and the on-going European debt crisis, the Government of the HKSAR has actively advocated RMB related products and the mainland Chinese economy is still in growth pattern. The division is watching closely on the development of new financial business in both Hong Kong and mainland China, in order to secure emerging opportunities.

Financial management and advisory division turned slower as investment markets remained still unstable. Riskier products like equity linked funds had poor market response whilst the fixed return products including bonds and high yield foreign currency registered more popular acceptance.

SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio was HK\$2,246,000 (2011: HK\$2,717,000). As overseas environment remains volatile, investors tended to cut their overnight position to avoid risk for the most period of the year. The investment activities tended to be speculative in short term nature.

CHANGE OF THE COMPANY'S NAME

The name of the Company was changed from Karl Thomson Holdings Limited to Hoifu Energy Group Limited with effect from 3 January 2013. The Board believes that the Company's new name can provide the Company with a new image and corporate positioning which is in line with the business development directions of the Group and will benefit the Company's future business development and is in the interest of the Company and its shareholders as a whole.

NOTIFIABLE MATERIAL CONTRACT ENTERED BY THE GROUP

Apart from disclosure made hereunder, the Group has not entered into any agreement about any acquisition or disposal of companies.

Reference is made to the joint announcement of the Company, Triumph Energy Group Ltd (the "Triumph Energy"), J&A Investment Limited ("J&A") and Karfun Investments Limited (the "Karfun") dated 23 August 2012 (the "Joint Announcement"). The Company entered into a subscription agreement on 2 July 2012 pursuant to which the Company have conditionally agreed to allot and Triumph Energy has conditionally agreed to subscribe for 820,000,000 shares in the Company for a value of HK\$205,000,000 (the "Proposed Subscription"). The Proposed Subscription is subject to, among other terms and conditions of the subscription agreement, the shareholders' approval of the Company and the distribution in specie to the existing shareholders of the Company in respect of all the shares in Karfun (the "Proposed Distribution"). Karfun is a wholly owned subsidiary of the Company and is holding 201,995,834 shares in ATNT. The Proposed Distribution is also subject to, among other things, the shareholders' approval of the Company. Upon completion of the Proposed Distribution, Karfun shall cease to be a subsidiary of and ATNT shall cease to be an associate of the Company.

Subject to the completion of the Proposed Subscription, Triumph Energy will hold 820,000,000 Shares, representing approximately 56.29% of the issued share capital of the Company as enlarged by the Proposed Subscription. Pursuant to Rule 26.1 of the Takeovers Code, upon the completion of the Proposed Subscription, Triumph Energy is required to make an unconditional mandatory cash offer for all the issued shares of the Company other than those already owned or agreed to be acquired by Triumph Energy and parties acting in concert with it.

Subject to the completion of the Proposed Distribution, J&A will make an unconditional voluntary cash offer for all the issues shares of Karfun other than those already owned or agreed to be acquired by J&A and parties acting in concert with it.

Shareholders are encouraged to read the Joint Announcement. A circular, which will contain, among other things, details of the Proposed Subscription, the Proposed Distribution a notice convening the special general meeting will be despatched to the shareholders as soon as possible.

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 2012, the Group had shareholders' funds of approximately HK\$219,041,000 (2011: HK\$137,074,000). The net current assets of the Group were HK\$212,199,000 (2011: HK\$24,398,000), which consisted of current assets of HK\$391,311,000 (2011: HK\$166,267,000) and current liabilities of HK\$179,112,000 (2011: HK\$141,869,000), representing a current ratio of approximately 2.18 (31 December 2011: 1.17).

The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, loan from associate and financial institutions, and equity financing. During the period, the Group obtained short-term bank borrowings which is mainly facilitating the margin to client for the application of Initial Public Offering and daily operations and investments. As at 31 December 2012, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK\$215,885,000 (31 December 2011: HK\$16,478,000).

As at 31 December 2012, 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 4.3 (31 December 2011: 5).

CONTINGENT LIABILITIES

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. As at 31 December 2012, HK\$5,557,000 (31 December 2011: HK\$3,373,000) 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 2012. 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 2012, bank deposits amounting to approximately HK\$7,530,000 (2011: HK\$7,517,000) and listed securities held by margin clients with market value amounting to approximately HK\$12,392,000 (2011: HK\$8,645,000) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 31 December 2012, the total number of issued ordinary shares of the Company was 1,456,844 of HK\$0.10 each (2011: 636,843,612 shares of HK\$0.10 each).

HUMAN RESOURCES

As at 31 December 2012, the Group employed a total of 65 staff (2011: 80) of which 28 were commission based (2011: 41) and the total related staff cost amounted to HK\$13,926,000 (2011: HK\$13,677,000). 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 2012 (2011: 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 2012, 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 2012.

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 2012 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 2012, 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 2012 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 2012 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 2012 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.

By order of the Board
Hoifu Energy Group Limited
Dr. Hui Chi Ming, G.B.S., J.P.
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the Board comprises five executive Directors, namely, Dr. Hui Chi Ming, G.B.S., J.P., Mr. Neil Bush, Dr. Chui Say Hoe, Mr. Lam Kwok Hing and Mr. Nam Kwok Lun; and three independent non-executive Directors, namely, Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David.