MURCHISON HOLDINGS LIMITED

ABN 52 004 707 260

ASX Announcement
& Media Release

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Maintaining a steady course in the midst of a ragging financial storm

Half-Year To 31 December 2008 Financial Results Highlights

Financial results for the half-year ended 31 December 2008, compared to the previous Corresponding period ("pcp')

Murchison Holdings Limited (ASX : MCH) today announced a decline of 68% in Total Revenues from Ordinary Activities to $2.777 million for the half-year ended 31 December 2008 as compared to the pcp.

Net Profit attributable to members rose 114% to $ 448,000 for the interim period as compared to the pcp of $ 209,000. Basic earnings per share was 2.32 cents as compared to the pcp of 1.56. Fully diluted earnings per share rose 82.4% to 1.55 cents as compared to the pcp.

The favourable movement of $718,717 in the Foreign Currency Translation Reserves is attributable to MCHI's 2% investment in a Zhongshan property development project.

We are pleased to advise that it is the intention of the Directors to issue in about April 2009 1 free bonus option for every 1 share held in MCH at the date of the prospectus. The options will be convertible into a share in MCH at any time within 12 months of issue date at a conversion price of $1.20 each.

Financial Highlights

- Revenue from ordinary activities was $2.777 million , a fall of 68% as compared to the pcp;
- Net profit rose 114% to $448,000, as compared to $209,000 achieved in the pcp;
- Expense base remained stable despite increase in business presence in the PRC;
- Gearing level continued to trend down with loan to capital ratio at 5% as compared to 11% in the pcp;
- Less cash being applied to funding new projects and investment.

Highlights of the operating businesses

Quest Investments Limited

In line with most global diversified financial companies who had suffered from the unprecedented 'financial tsunami' that has been savaging the world economy and capital markets, our 64.15% subsidiary experienced drastic deterioration in trading conditions. Revenue from operating activities registered a hefty 79% decline, reflecting the almost complete loss of investors' confidence in the global financial system and the consequential flight from equity markets.

Net attributable loss stood at $392,000 in contrast to the $102,000 profit registered in the pcp.

QST's financial liabilities fell to an inconsequential $127,000 from $1.418 million. Balance sheet continued to be healthy with current ratio standing at 1.62.

Stockbrokerage

QSB's commission income was HK$0.783 million, a fall of 79.8% as compared to the pcp. This mirrored investors' flight from equity markets globally.

The global stockmarkets fell sharply in the period under review. Triggered by massive sell-off in US and European markets following the collapse of Lehman Brothers (a major financial institution in the US) in October 2008, the Asia-pacific markets also fell more than 60% in tandem with their peers overseas.

The drastic fall of the Australian Dollar on unwinding of carry-trades had a large impact on QSB's performance in the period under review. The realized exchange loss in converting our term deposits to pay down our financial liabilities in order to mitigate the negative effect of interest rate differential (which was working against us) form a significant part of the negative performance.

Telecommunications

Quest Telecom Limited ("QTL") also suffered from difficult trading conditions with most service providers slashing their call rates. Despite our ability to reduce our overheads by some 70%, the fall in revenue resulted in a loss of HK$99,591 for the period under review.

Murchison International Limited

MHI had been investing to expand its market coverage and services to clients in Asia as well as in Europe.
For the half-year to 31 December 2008, MHI registered a loss of HK$2.085million. The large fall in exports to Europe and US markets coupled with the credit crunch combined to undermine MHI's operating performance in the period under review.

MHI's 2% investment in the Zhongshan property project continued to progress satisfactorily. The new major shareholder of the project had redrawn the development plan and had submitted the new revised plan for approval. The revised plan involves an increase to total saleable areas and we are optimistic about the future of this project.

The favourable movement of $718,717 in the Foreign Currency Translation Reserves is attributable to this investment.

Chongqing East Toptrend Domo Limited

Shareholders would recall that in the 2008 annual report, the Nanan District Government of Chongqing provided our Technology subsidiary, CETD, with positive support to locate our manufacturing plant in that City. We are happy to report that all major renovation works had now been completed and two separate production lines for 3G telecom products and LCD television products respectively are now fully assembled. We intend to start production in April 2009.

Our 3G high speed WiFi internet access card (TCN230) is known to be one of the fastest and most stable devices presently in the market with file transfer speed of 1.1MB/second as compared to 384KB/second speed of most other similar products. We have also successfully delivered 5000 units of TCN230 for use in the Beijing Summer Olympics. We also advise that we have not received any adverse comments on the device.

For the future, we intend to embed the device into our newly developed netbook computer, thereby making our netbook computer the only laptop personal computer capable of providing the full range of TD-SCDMA (China's own 3G telecom standard) services to users.

Currently, CETD is launching the production and sale of our high quality and advanced netbook computer to both domestic Chinese market as well as overseas markets. Preliminary sale of samples to interested distributors is encouraging. We are selling these netbook computers at competitive prices under the brand name MMM (which stands for Murchison Multi Media). In-principle agreement has been reached with the People's Government of Nanan District to provide a preliminary trial delivery of 500 pieces of these netbook computers for use by its middle and senior ranking civil servants.

Market research on the potential size of the Chinese domestic market suggests a market of about 40 million pieces, and growing to 150 million pieces in 2 years for these low-priced netbook computers. Our factory has a capacity of 200,000 pieces per annum. We have budgetted a sale of 20,000 pieces for 2009 calender year before scaling up our production rate in the future.

Outlook

Most non-OECD countries are concerned with the unprecedented decline in OECD countries' economic activities and the tumultuous meltdown in global financial markets. Despite the drastic cuts in interest rates and the massive doses of liquidity injections by most developed countries, the carnage continued.

For most of the developed economies, preoccupation with an affluent lifestyle, financed by cheap credits at the expense of savings, over the last 30 years had sowed the seed for our current financial crisis. In many ways, the 'over-paid and under-achieved' system of executives remunerations had bred a culture of lack of accountability to the wider community. Most were found wanting in managing and leading their corporations or regulatory agencies at crucial times.

For most Asia-Pacific countries, including the PRC, the extent of the carnage is of a lesser degree than those experienced in the G8 countries. The contagion impact of problems arising in the developed countries however cannot be discounted. The region witnessed a net portfolio capital outflow of US$70 billion in 2008 driven largely by risk aversion and carry-trade unwinding. Also evident was a drastic fall in exports from the PRC, Taiwan, Singapore, South Korea, Hong Kong, and Australia as reflected in their latest economic statistics. Due to their structural dependence on a growth engine abroad, the 'decoupling' of the Asia-Pacific economies from OECD countries, which many had hoped for, remained an illusion.

The question that confronts most, however, is how deep and protracted will the present contraction in Asia-Pacific be? More importantly, how quickly can the region recover? A number of factors can be advanced to support the view that Asia-Pacific economies are likely to experience a deep, but albeit short-lived contraction. The more salient of these are:

First, the Asia-Pacific economies have solid banking system with limited exposure to toxic assets and are not generally over leveraged. Asia-Pacific based banks are well-capitalised, with loan-to-deposit ratios largely below 100%. Non-performing loans have dropped to below 10% in most cases. With the exception of India and South Korea, few Asia-Pacific banks are facing the same dislocations as those in the West.

Secondly, after five years of unrelentingly strong global growth, the region had enjoyed strong GDP growth and burgeoning current account and budget surpluses. All of these should assist in cushioning against the tough times in 2009, thereby enabling regional governments to launch fiscal stimulus packages and relax their traditionally tight monetary policies.

Thirdly, the PRC's role as a regional economic stabilizer is also a significant factor. With its enormous foreign reserves of over US$1.95 trillion, it has both the fiscal and monetary means to support its own domestic economy. This is evident in the recently announced US$586 billion fiscal stimulus programme. If one includes similar stimulus programmes announced by its provincial governments to support local industries and boost domestic demand, the total stimulus package should have more than an even-chance of preventing a boom-bust scenario.

Ultimately, we believe that the mission for Asia-Pacific countries is to engineer a paradigm shift from a predominantly export growth model to a more broadly based growth model, of which the domestic consumption plays a major and significant part. We also believe that American and European consumers are likely to lift their saving ratios and cut back their consumption spending, thereby prolonging recovery in Asia-Pacific's manufacturing and trade sectors. This will make the task of balancing the loss on exports with gains in domestic demand a crucial one indeed.

The Way Forward

Our early adoption of a more prudent and risk-averse investment strategy in 2008 had enabled us to maintain a steady course amidst the largest financial storm that has hit the world since the 1930s. Most of the Asia-Pacific economies have started to contract, but the bottom of this downturn is not yet in sight. The next several months will give us a fair assessment of how long and how deep this downturn is going to be. Initial results of the first two months of 2009 suggest that the operating environment had become even more challenging and difficult. If the difficult trading conditions persist, our second half performance would likely be impacted more negatively.

In addressing the challenging and difficult operating conditions, your management will remain vigilant and adopt a more defensive investment posture for its trading portfolios. We had conducted a thorough review of our present operations in the light of a drastic change in world's economic conditions. The result of our review recommends that we focus our attention in deploying resources to support those part of our businesses that are not too susceptible to recessionary pressure (such as in our marine resource and food business that are more defensive), and work on the delivery of existing order book in the technology business. We will also seek to postpone our cash commitment to those 'mezzanine' projects that are still some time away from being cash flow positive and revenue generating. This will enable us to conserve cash and avoid untimely cash-burn in these times of contracting funding potential from both the capital markets and from the traditional banking sector.

In line with our stated objective of separately listing our various businesses once they are entering expansion phase, we are now in advanced-stage of preparing the necessary offer information document to list our marine resource subsidiary on the National Stock Exchange ("NSX") in Australia. This follows the rapid growth of our "resource pillar" in our defined "Five Growth pillars" business strategy. We have experienced a strong and encouraging built-up in our order book for various seafood products since the beginning of 2009. We have completed the incorporation and will shortly transfer our marine resource business into a newly established public non-listed subsidiary –Quest Marine Resources Limited ("QMR").

We have also signed with two stockbroking firms in Sydney and Melbourne letters of undertaking to assist QMR in its pre-IPO and IPO fund raisings ahead of the proposed listing on the NSX. We intend to price our issue at a price –earnings multiple of 6 times our projected forward 12-month earnings, valuing QMR at A$4 million. We aim to raise $2 million from the listing exercise in order to achieve our earnings projection.

The marine resources division has an order book of about A$4 million since January 2009. Of these orders, we have successfully delivered in January 2009 US$1.2 million worth of canned abalone to our clients in Malaysia and Hong Kong. The abalone were principally sourced from Tasmania and processed from our designated processing plant located in Gold Coast, Australia.

In addition to abalone, the division has also secured orders from European buyers for delivery of processed anchovy products from our designated food processor in Dalian, PRC. QMR is in the process of evaluating a proposition to acquire this Chinese food processing company who presently has the only exclusive licence granted by the PRC Government to export anchovy products to the European Union ("EU") countries. It has also the necessary food health and safety permit to export seafood products to the EU countries.

The third product which the division exports from its designated processing plant is frozen octopus to South Korea. An average of 4 containers per week delivery to wholesalers in Seoul, South Korea, from the Dalian plant is presently achieved.

Recent negotiations with our buying clients suggest that the demand for our products is expected to grow significantly over the rest of the 2009. We believe the potential prospect of QMR is bright, and hence the need to increase our funding to foster a more rapid growth in our order book. The eventual listing on the NSX will greatly assist our fund-raising possibilities to support QMR's anticipated growth.

Our seafood division is also evaluating the prospect of exporting sea cucumber to Japan, South Korea, Hong Kong, and other overseas Chinese markets. As sea cucumber is one of highest price-margin delicacies for Chinese cuisines (the same is true for abalone), we are very much focused on adding this product to our existing portfolio of quality and high price-margin products.

We have also decided to deploy more of our resources in support of our "Technology Pillar". Preliminary understanding had been reached with a major telecommunications company in the PRC to jointly market our TCN230 high speed WiFi internet access USB device (TD-HSPDA) nationwide. We intend to embed the TCN230 into our newly developed netbook computer for co-branding exercise with this telecom partner. We are cautiously optimistic that the final netbook computer with the embedded 3G telecom capability will be the first such product globally.

We believe that digital convergence will be the final solution converging telecom services with "infotainment" programmes made possible by our technology. We await China Mobile's completion of its 3G telecom infrastructural programmes and the launch of its 3G telecom services in the 38 new cities in the PRC. China Mobile has over 500 million subscribers on its present 2.5G GSM services. A commitment has been made by China Mobile to the Chinese Government that it aims to migrate 30 million subscribers to TD-SCDMA services in 2 years. Our Beijing telecom partner is optimistic that with our co-branded superior technology products, probability of securing part of the large trial launch order from China Mobile is high.

Notwithstanding the recent tumultuous economic conditions, we are hopeful that America's US$787billion stimulus package can create the proposed 3 million-plus jobs President Obama's administration is targeting and stabilize the housing and financial markets. In some sense, the world is rooting for this new US President and his team to succeed. For MCH, it has charted as best a stable course as its fundamentals allow in navigating through this treacherous sea amidst a ragging financial storm. We remain positive and hopeful. As the ancient Chinese once remarked –"even a rainy day will in due course give way to a sunny sky".

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