MURCHISON HOLDINGS LIMITED
ABN 52 004 707 260

ASX Announcement
& Media Release

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Continuing debt crisis in Europe and marked decline in activities impact performance

Half-Year To 31 December 2011 Financial Results Highlights

Financial results for the half-year ended 31 December 2011, compared to the previous Corresponding period ("pcp')

Murchison Holdings Limited (ASX : MCH) today announced a Net Loss of HK$3.253 million as compared to a Net profit of HK$1.165 million for the pcp.

Total Revenues from Ordinary Activities fell to HK$173.2 million for the half-year ended 31 December 2011 as compared to HK$258.8 million for the pcp.

The financial position remained satisfactory. Total assets rose by 3.7% to HK$224.38 million with Net Tangible Assets per share of HK$9.21 compared to HK$216.3 million and HK$9.01 respectively for the pcp..

Financial Highlights

- Revenue from ordinary activities was HK$173.2 million , a fall of about 33% as compared to the pcp;
- Net loss on continuing operations was HK$3.253 million;
- Expenses were reduced as a result of concerted efforts of management;
- Small rise in gearing level with loan to capital ratio at 4% as compared to 1% in the pcp;
- Savings from office lease expense and professional fees paid will be evident over the next 2 years.

Highlights of the operating businesses

Quest Investments Limited

We are advised by Quest Investments Limited ("QST"), our 63.91% subsidiary, that it registered a fall in its operating revenue. Revenue from operating activities fell 68% to HK$46.43 million on lower contributions from its stockbrokerage, treasury and investment activities.

Net Attributable loss was HK$2.755 million as compared to HK$3.124 million profit registered in the pcp.

QST's financial liabilities fell to a modest HK$2.1 million from $4.5 million. Balance sheet continued to be healthy with current ratio standing at 1.67.

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Stockbrokerage

Our stockbrokerage business conducted through Quest Stockbrokers (HK) Limited ("QSB") recorded a fall in both turnover and commission earned. Total value of transactions executed by QSB was HK$1.004 billion. This represents a decline of 45.6% from the pcp. Commission income earned was HK$2.38 million, a fall of about 45% as compared to the pcp of HK$4.362 million.

Total income from underwriting activities was HK$271,000 on significantly reduced fund-raising activities in the corporate finance sector.

Reflecting the drastic decline in stock market turnover, QSB registered a loss of HK$1.171 million as compared to profit of HK$2.953 million in the pcp.

Telecommunications

Quest Telecom Limited ("QTL") registered a significant increase in profit for the interim period. Despite a highly competitive telecom service provider market in Hong Kong and with wide swings in the financial markets globally, QTL managed to record a profit before tax of HK$121,721 as compared to HK$1,525 for the pcp. This represents a 7,882% increase over the pcp. The emphasis QTL placed on managing its cost base through more stringent evaluation of its suppliers' and professional service providers' fee charges resulted in a significant reduction in its operating expenses. QTL's balance sheet continued to be strong with modest liabilities.

Marine Resources

We have been advised by Quest Marine Resources Limited ("QMR"), and its wholly-owned subsidiary Dalian Jixiang Foods Limited ("DJFL") that each of them recorded increase in sales and profits. QMR's contribution to the Group's earnings was HK$0.778 million as compared to HK$0.549 million in the pcp. DJFL's sales was also higher due to seasonal factors and better domestic demand in the PRC. We have also been advised by QMR that it managed to raise loan financing to support its budgeted expansion programme and interest expense rose as a result of the loan financing secured.

Murchison International Limited

Murchison International Limited ("MHI") 's revamped strategy of focusing more on proprietary trading in regional equities to complement its knowledge of business and fund flows between the emerging economies and those of the developed world as stated in the previous financial report has yielded positive results.

For the half-year to 31 December 2011, MHI recorded a strong increase in its revenue from operating activities. Total operating revenue stood at HK$123 million, an increase of 53.75% from HK$80 million achieved in the pcp. MHI managed to reverse its loss position to record a profit of HK$835,650 for the present interim period. This contrasted markedly the loss of HK$127,871 in the pcp.

MHI's 2% investment in the Zhongshan property project continued to progress satisfactorily. Construction on the seven residential blocks of 25-storey are at the final stage of completion. We have been informed by the project manager that pre-sale activities are slated to start in the near future. Notwithstanding the present measures undertaken by the relevant authorities in the PRC to cool demand in the real estate market, MHI remains cautiously optimistic about the potential contribution of this project to our income stream in future years. MHI is expected to benefit from both the currency appreciation of the Rmb and the appreciation of real estate prices in Zhongshan since it made the investment some 2 years ago.

Outlook

The past six months had seen the continuation of the debt crisis in Europe and its negative impact on global financial markets. The downgrading of the sovereign risk status of the US and some leading European countries caused further deterioration in investors' sentiment. The adoption of cheap money policy and the resulting build up of inflationary pressure globally had contributed to greater volatility in the world financial and capital markets This also caused new imbalances in asset markets. The measures undertaken by various governments to inject massive liquidity to prop up demand without addressing structural problems of declining competitiveness and unsustainable social overheads in most of the troubled economies remain a primary concern to the global capital markets. They are not expected to be resolved in the short to medium term.

The outlook for the global economy in 2012 therefore remains gloomy. There is a high probability of it slipping into recession. Both Europe and Japan are mired in deep economic problems. Emerging economies are showing increasing signs of stalling. For the emerging economies in the East, the need to rebalance their economies through building up robust domestic consumer demand to wean off the over-dependence on established manufacturing prowess has proven to be a struggle. This effort is not helped by the large rises in price of oil, metal and soft commodities.

Thus far, we have witnessed various central banks injecting enormous liquidities into the banking system in Europe and in the US. By adopting a cheap money policy and holding down bond yields through asset purchases , these developments made other speculative assets more attractive. The risk-on trades seen in this liquidity driven market are forming a potential mini-bubble. Inflationary pressure has increased significantly and is expected to be a problem globally in the next 12 months.

The European debt crisis will continue to impact global markets. With Portugal and Spain slated to refinance their maturing debt obligations in the next several months, we remain of the view that operating conditions facing us are unlikely to improve and 2012 will prove to be a difficult year.

The Way Forward

Our performance for the interim period under review has been negatively impacted by the significant reduction in economic activities and low market turnover in the markets we operate in. We remain convinced that the prospect of a significant turn around in operating conditions is unlikely for 2012, notwithstanding the encouraging rally seen since the beginning of the year.

We intend therefore to continue placing emphasis in reducing our operating expenditure. We have taken steps to reduce significantly our recurring overheads such as rental for office premises as well as fees paid to professional service providers. The benefits of these measures will be felt over the next two years. We have also reviewed our various investments, with an aim to avoid cash burn for any new projects that may need time to be cash-flow positive. Barring unforeseen Black Swan events developing in 2012, we are cautiously optimistic in achieving better performance for the next six months.

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